THE MAGAZINE OF WALL STREET

MAY 16, 1931

Market Seeks New Base on Penny Earnings

By A. T. MILLER

●

Can Business Prosper on Lower Prices?

By NICHOLAS T. CALHOUN

●

Stocks Which Have Strengthened Their Position Through Dividend Adjustments

Selected by
The Magazine of Wall Street Staff

C. G. Wyckoff
PUBLISHER

VOL. 48 - No. 2

PRICE 35 CENTS

Missouri-Kansas-Texas Railroad Company
and Controlled Companies

Annual Report for the Year Ended December 31, 1930

TO THE STOCKHOLDERS: St. Louis, Mo., April 21, 1931.

The Board of Directors submits herewith report of the operations and affairs of your property for the year ended December 31, 1930.

A summary of results of operation compared with the year 1929 is as follows:

	1930	1929	Increase	Per Cent	Decrease	Per Cent
Operating Revenues	$45,948,859.05	$56,024,439.15	....	....	$10,075,580.10	18.0
Operating Expenses	30,225,002.64	37,456,339.57	....	....	7,231,336.93	19.3
Net Operating Revenue	$15,723,856.41	$18,568,099.58	....	....	2,844,243.17	15.3
Taxes	2,356,928.85	3,289,868.20	....	....	932,939.35	28.4
Uncollectible Railway Revenues	13,551.46	17,102.80	....	....	3,551.34	20.8
Railway Operating Income	$13,353,376.10	$15,261,128.58	....	....	1,907,752.48	12.5
Miscellaneous Income	969,906.37	803,782.72	$166,123.65	20.7	....	....
	$14,323,282.47	$16,064,911.30	....	....	1,741,628.83	10.8
Rentals and Other Payments	2,348,823.17	2,468,664.14	....	....	119,840.97	4.9
Income for Year Available for Interest	$11,974,459.30	$13,596,247.16	....	....	1,621,787.86	11.9
Fixed Interest Charges for Year	4,195,450.88	4,200,673.13	....	....	5,222.25	.1
Balance Available for Interest on Adjustment Bonds	$7,779,008.42	$9,395,574.03	....	....	1,616,565.61	17.2
Interest on Adjustment Bonds	696,461.21	869,333.30	....	....	172,872.09	19.9
Net Income	$7,082,547.21	$8,526,240.73	....	....	1,443,693.52	16.9

CONSOLIDATED GENERAL BALANCE SHEET

ASSETS

INVESTMENTS	Dec. 31, 1930	Dec. 31, 1929	Increase or Decrease
Investment in Road and Equipment:			
Road	$210,517,676.61	$238,533,117.75	—$28,015,441.14
Equipment	52,145,654.35	53,160,992.88	—1,015,338.53
	$262,663,330.96	$291,694,110.63	—$29,030,779.67
Improvements on Leased Railway Property	$3,564.07	$3,564.07	....
Deposits in Lieu of Mortgaged Property Sold	212.50	212.50	....
Miscellaneous Physical Property	1,102,841.44	1,095,862.17	+$6,979.27
Investments in Affiliated Companies—Pledged	527,000.00	527,000.00	....
Investments in Affiliated Companies—Unpledged	1,168,233.69	1,050,761.46	+117,472.23
Other Investments:			
U. S. Government Securities	....	3,071,406.25	—3,071,406.25
Other Securities	624,072.65	673,171.44	—49,098.79
Total Investments	$266,089,255.31	$298,116,088.52	—$32,026,833.21
CURRENT ASSETS			
Cash	$6,469,720.09	$3,256,270.36	+$3,213,449.73
Time Drafts and Deposits	6,479,926.84	5,115,520.58	+1,364,406.26
Special Deposits	24,130.84	26,389.67	—2,258.83
Loans and Bills Receivable:			
Time Loans	2,226,765.02	4,905,992.38	—2,679,227.36
Other Bills Receivable	44,923.61	42,263.54	+2,660.07
Traffic and Car Service Balances Receivable	696,815.44	751,796.73	—54,981.29
Net Balance Receivable from Agents and Conductors	616,342.77	815,967.08	—199,624.31
Miscellaneous Accounts Receivable	992,711.39	1,204,514.78	—211,803.39
Material and Supplies	4,674,431.38	5,459,277.40	—784,846.02
Interest and Dividends Receivable	105,845.29	87,506.75	+18,338.54
Other Current Assets	22,817.74	23,946.02	—1,128.28
Total Current Assets	$22,354,430.41	$21,689,445.29	+$664,985.12
DEFERRED ASSETS			
Working Fund Advances	$107,423.41	$87,885.37	+$19,538.04
Other Deferred Assets	1.00	2.00	—1.00
Total Deferred Assets	$107,424.41	$87,887.37	+$19,537.04
UNADJUSTED DEBITS			
Rents and Insurance Premiums Paid in Advance	$86,606.78	$100,813.53	—$14,206.75
Other Unadjusted Debits	585,882.92	228,590.88	+357,292.04
Total Unadjusted Debits	$672,489.70	$329,404.41	+$343,085.29
Total	$289,223,599.83	$320,222,825.59	—$30,999,225.76
The following Assets not included in Balance Sheet Accounts:			
Securities Held for Exchange of Underlying Securities:			
Long Term Debt	$31,666,500.00	$31,767,600.00	—$101,100.00
Securities Issued or Assumed—Unpledged:			
Preferred Stock, Series "A"	5,528,364.39	5,528,364.39	....
Common Stock	15,730,515.52	15,730,515.52	....
Long Term Debt	11,687,205.46	11,593,105.46	+94,100.00
Securities Issued or Assumed—Pledged:			
Long Term Debt	17,504,000.00	17,497,000.00	+7,000.00

NOTE—Intercorporate Assets and Liabilities are excluded.

LIABILITIES

STOCK	Dec. 31, 1930	Dec. 31, 1929	Increase or Decrease
Capital Stock:			
Preferred, Series "A" (Par value $100.00 per share)	$66,660,708.26	$65,076,364.82	+$1,584,343.44
Common (No par value. See note)	66,662,864.87	66,653,151.04	+9,713.83
Stock Liability for Conversion:			
Preferred, Series "A" (Par value $100.00 per share)	43,027.35	57,870.79	—14,843.44
Common (No par value. See note)	26,619.61	36,333.44	—9,713.83
Total Stock	$133,393,220.09	$131,823,720.09	+$1,569,500.00
LONG TERM DEBT			
Mortgage Bonds	$93,204,179.30	$93,214,179.30	—$10,000.00
Equipment Trust Obligations	420,500.00	504,600.00	—84,100.00
Income Mortgage Bonds	13,577,567.24	15,147,067.24	—1,569,500.00
Total Long Term Debt	$107,202,246.54	$108,865,846.54	—$1,663,600.00
CURRENT LIABILITIES			
Traffic and Car Service Balances Payable	$773,826.38	$892,746.46	—$118,920.08
Audited Accounts and Wages Payable	3,512,281.60	3,492,760.84	+19,520.76
Miscellaneous Accounts Payable	91,329.84	109,785.67	—18,455.83
Interest Matured Unpaid	1,637,457.65	1,666,746.86	—29,289.21
Dividends Matured Unpaid	1,987,727.00	19,316.25	+1,968,410.75
Funded Debt Matured Unpaid	15,865.00	18,250.00	—2,385.00
Unmatured Interest Accrued	458,102.10	499,756.51	—41,654.41
Unmatured Rents Accrued	99,412.89	77,221.63	+22,191.26
Other Current Liabilities	90,883.73	131,949.04	—41,065.31
Total Current Liabilities	$8,666,886.19	$6,908,533.26	+$1,758,352.93
DEFERRED LIABILITIES			
Other Deferred Liabilities	$54,483.63	$49,018.12	+$5,465.51
UNADJUSTED CREDITS			
Tax Liability	$1,457,771.87	$2,121,652.31	—$663,880.44
Accrued Depreciation—Equipment	12,553,708.95	11,827,745.73	+$725,963.22
Other Unadjusted Credits	348,684.56	1,368,266.15	—1,019,581.59
Reorganization Suspense	....	29,887,033.17	—29,887,033.17
Total Unadjusted Credits	$14,360,165.38	$45,204,697.36	—$30,844,531.98
CORPORATE SURPLUS			
Additions to Property through Income and Surplus	$70,157.86	$63,503.65	+$6,654.21
Profit and Loss—Balance	25,476,440.14	27,307,506.57	—1,831,066.43
Total Corporate Surplus	$25,546,598.00	$27,371,010.22	—$1,824,412.22
No provision has been made for proposed additional assesments in respect to prior years' Federal Income Taxes, under appeal and special claims in respect to interline freight revenue divisions with Western Trunk Line Carriers.			
Total	$289,223,599.83	$320,222,825.59	—$30,999,225.76
The following Liabilities not included in Balance Sheet Accounts:			
Securities held for Exchange of Underlying Securities:			
Long Term Debt	$31,666,500.00	$31,767,600.00	—$101,100.00
Securities held by or for the Company—Unpledged:			
Preferred Stock, Series "A"	5,528,364.39	5,528,364.39	....
Common Stock	15,730,515.52	15,730,515.52	....
Long Term Debt	11,687,205.46	11,593,105.46	+94,100.00
Securities held by or for the Company—Pledged:			
Long Term Debt	17,504,000.00	17,497,000.00	+7,000.00

The Company is guarantor, jointly with other Companies, of the securities of certain terminal companies, none of which is in default.

NOTE: There were 808,819.0351 shares Common Stock outstanding in hands of the public Dec. 31, 1930, an increase of 117.8577 shares. There were also 322.9751 shares included in Stock Liability for Conversion on December 31, 1930, a decrease of 117.8577 shares.

PROFIT AND LOSS DECEMBER 31, 1930

Balance to Credit of Profit and Loss December 31, 1929	$27,307,506.57
Credits:	
Credit Balance Transferred from Income	7,082,547.21
Profit on Road and Equipment Sold	3,369.97
Unrefundable Overcharges	1,759.90
Donations	6,654.21
Miscellaneous Credits	14,655.80
Total	$34,416,493.66

Debits:	
Dividend Appropriations, Preferred Stock, Series "A" 7%	$4,644,642.89
Dividend Appropriations, Common Stock, $3.00 per Share	2,427,426.00
Surplus Appropriated for Investment in Physical Property	6,654.21
Debt Discount Extinguished through Surplus	2,903.02
Loss on Retired Road and Equipment	135,668.97
Delayed Income Debits	1,657,312.50
Miscellaneous Debits	65,445.93
Total	$8,940,053.52
Balance to Credit of Profit and Loss December 31, 1930	$25,476,440.14

TO THE MANY INVESTORS WHO ARE "WAITING FOR THE RISE"

Selections from the many comments made by Our Subscribers

"The advice on Aluminum Company was quite gratifying."

"Your object of fitting a program of investments to my age and situation particularly is exactly in line with my desires."

"Your survey is very complete, and is far better than I have seen from any service, and it shows that you take great care in outlining it."

"I received your telegram this morning and sold the 20 shares of McKeesport Tin Plate at 101¼ making a profit of 14¾ points each share. *Thank you.*"

"So that while at the moment there was temptation to gamble in a direction that measured by today would have been profitable, I have no regrets and know that yours was the safe, and therefore sound advice, at the time."

"This was an unexpectedly quick sale, and, as you will see, netted a very handsome profit. Keep up the good work."

"I like your method of presentation. It gives a complete picture to the client, with your leaning or leanings and the foundation for them."

"Your original 'pickings' have shown some very interesting results thus far and you may rest assured that your efforts are appreciated."

"Permit me to thank you for your report and advice which I shall follow. I'm through with these so-called 'tips' from friends as they have placed me in the position I'm in today. What a pity I did not seek your advice at an earlier date."

"Your excellent advice on McKeesport Tinplate is much appreciated."

"Thank you for your splendid report on my investments received yesterday."

Of the dozens of investors who come to us every day with their individual investment problems, a large majority are looking forward to the time when their losses will be recovered through a market "rise." They feel that the present is a critical and uncertain period—and in this way they are right. But they further believe that nothing can be done *now* to start building toward profits and to prevent additional losses—and in this they are absolutely wrong.

As a matter of fact, the present is ideally suited to the preliminary steps which most investors must take if they are to come out "on top" of this depression. Although market action is of considerable importance, it is only one factor in the handling of your investments —and the rebalancing of your present holdings to bring your portfolio in line with current market and industrial conditions is the most important operation in any investment program.

If you will send us the information requested on the coupon below, we will be glad to explain the steps that can be taken *right now* to improve your position, strengthen your portfolio, and place your entire investment campaign on the most potentially profitable basis.

INVESTMENT MANAGEMENT SERVICE

A Division of The Magazine of Wall Street

FORTY-TWO BROADWAY **NEW YORK, N. Y.**

Investment Management Service 5-16-31
42 Broadway, New York, N. Y.

Gentlemen:

I am enclosing herewith my list of holdings. Kindly study this list and tell me, by mail, how your service would help me solve my investment problems. Also send me your booklet and the minimum cost of service on my account. This places me under no obligation.

Name ....

Address ....

City and State ....

My present investment capital, in addition to the securities listed, is approximately $..................

Member of the Audit Bureau of Circulations

CONTENTS

Vol. 48 No. 2 May 16, 1931

The Ticker Publishing Co. is affiliated with no other organization or institution whatever. It publishes only The Magazine of Wall Street, issued bi-weekly, and the Investment and Business Forecast, issued weekly

Copyright and published by the Ticker Publishing Co., Inc., 42 Broadway, New York N. Y. C. G. Wyckoff, President and Treasurer. E. Kenneth Burger, Vice-President and Managing Editor. W. Sheridan Kane, Secretary. Lael Von Elm, Business Manager. Thomas F. Blissert, Financial Advertising Manager. George K. Myers, Director of General Advertising. The information herein is obtained from reliable sources and while not guaranteed, we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 35 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O., New York, N. Y., Act of March 3, 1879. Published every other Saturday.

ADVERTISING REPRESENTATIVES—Atlanta, A. E. Christoffers, Walton Building; Pacific Coast, Simpson-Reilly, Union Oil Bldg., Los Angeles; Russ Building, San Francisco.

SUBSCRIPTION PRICE—$7.50 a year in advance. Foreign subscribers please send International money order for U. S. Currency, Including $1.00 extra for postage (Canadian 50 cents extra).

TO CHANGE ADDRESS—Write us name and old address in full, new address in full, and get notice to us three weeks before you desire magazine sent to the new address.

EUROPEAN REPRESENTATIVES—The International News Company, Ltd., Breams Building, London, E. C. 4, England.

Cable address: Tickerpub.

Latest Facts and Statistics On 1600 Securities

in our monthly

"Adjustable Stock Ratings"

Read What Subscribers Say—

My copy of your "Adjustable Stock Ratings" has been received. Every person should study a copy of this before investing in stocks.
F. M. O., Tulsa, Okla.

The Rating booklet that you sent me last month on various stocks was one of the most valuable things that I have had on this particular subject.
E. G. G., Springfield, Mass.

I think that the Adjustable Stock Ratings of which I have just received the third number, is one of the finest things that has ever been issued.
E. A. R., St. Paul, Minn.

I wish to compliment you on your Adjustable Stock Ratings. This is proving of great assistance to me, and I feel it will be a real service to your subscribers.
W. H. J., Ironton, Minn.

My stock rating booklet came this morning. It certainly is full of information and will be a great help to many of us.
F. N. H., Hagerstown, Md.

It's a fine booklet, the best thing out to date, it's a great help and a great investment.
E. J. L., Brooklyn, N. Y.

Thanks for the Adjustable Stock Ratings Book. It is very complete and valuable.
F. E. H., Lyons, Kansas

Our monthly "Adjustable Stock Ratings" are of invaluable help to all subscribers to THE MAGAZINE OF WALL STREET in keeping up-to-date on all securities in which they may be interested and in checking changes in the outlook for securities previously purchased. A glance at the following description gives you an idea of the contents and its value to you in judging values.

Original Methods

Our ratings show both the *outlook for the industry* and the *position of the security in that industry,* whether good or bad, enabling you at all times to have the expert advice of our experienced business and security analysts. *Before buying or selling any security consult these ratings.* Business conditions naturally change and our ratings for any particular stock may change at any time. Investors should check our ratings each month to see if a change has taken place in the outlook for their holdings.

—For your convenience in quickly locating any Company, all the stocks, whether New York Stock Exchange or Curb, are arranged in one alphabetical list, marked with an "N" or "C."

Statistical Data:—You will find the important statistics so essential in judging and keeping track of your company—earnings—price range—dividend information—funded debt—shares outstanding—ticker symbols, *and latest interim earnings available.*

Our Comments are changed frequently, keeping you up-to-the-minute on new developments likely to affect prices.

Our Conclusions are based on intensive analyses of the combined fundamentals for each security—*plus the current technical position and future outlook for the general market.*

Assembled in concise form, this booklet gives you—at a glance—information absolutely necessary to every investor. These "Adjustable Stock Ratings," in combination with THE MAGAZINE OF WALL STREET, make an unequalled investment service that should enable you to keep your funds profitably placed in sound issues at all times.

Special Combination Offer

The Magazine of Wall Street—Rating Book—Valuable Investment Book—1931 Manual

For a limited time we offer THE MAGAZINE OF WALL STREET, including full consultation privileges of our Personal Service Department one year (regular price $7.50) and our Monthly "Adjustable Stock Rating" one year (regular price $2.50; sold only in combination with a year's subscription to THE MAGAZINE OF WALL STREET)—all for $9.00. If you are a subscriber now, the expiration date of your current subscription will be extended accordingly.

Mail This Coupon Today

The Magazine of Wall Street **May 16th, R. B. 1931**
42 Broadway, New York, N. Y.

Enclosed is my check for $9.00. (Enter) (Extend) my subscription to The Magazine of Wall Street for one year (26 issues) including full privileges of your Personal Service Department and also send me the next 12 issues of your Monthly "Adjustable Stock Ratings" and your 1931 Manual. (If your order is received within 10 days we will also send you our new book, "How to Invest for Income and Profit During 1931."

Name .... **Address** ....

City .... **State** ....

Canadian Postage 50c additional per year; Foreign $1.00

WITH THE EDITORS

Take Government Wheat and Cotton Out of the Way of Prosperity!

PRESIDENT HOOVER, it is said by men close to him, gives dispassionate consideration to every proposal that is made to him for short-cutting this nerve-racking depression. He rejects them generally because they usually involve a violation of his principle that the Government must not go into business or become its guardian.

We have a suggestion to make that jibes with that principle. Notwithstanding the principle, the United States Farm Board in fact has put the Government further into business than it ever was before except during the World War. The best way for the Government, for President Hoover, to help business now is to take the Board out of business. With its 275,000,000 bushels of wheat and its three or four million bales of cotton the Board, overproduction incarnate and inert, sits on the shoulders of reviving business like the Old Man of the Sea on the bent back of Sindbad.

Take it off, Mr. President! Do the dramatically potent thing and tell your Farm Board to make a solemn announcement that except in the event of war or other dire emergency it will not sell a bushel of wheat or a bale of cotton for at least two years, and then only if such a course is obviously in the common interest.

The accumulation of those terrible incubi has strangled the wheat and cotton trade, diverted foreign buying to other countries, given us persistent low prices and buried our entire agricultural empire in darkest gloom. Ruinous in accumulation, these menacing masses of staples are deadly in consummation, to freedom of trade and the free and full play of economic law.

The object of the Farm Board was to help agriculture. The greatest good it can do the farmers—and the country—now is to undo the harm it has done. If it were assuredly known that the Farm Board were as definitely out of selling, as it is already out of buying, wheat and cotton would move and bound upwards in price and the whole country would be thrilled into new life and hope. It might be the starter that would set prosperity agoing, just as the Leiter wheat corner broke the stranglehold of despair in 1898.

It is immaterial whether storage at eighteen cents a bushel devours values and weevils consume the substance of the wheat. Much of it already has lost its milling properties. Government wheat and cotton are the enemy of prosperity. Destruction of them would be a heroic but too horrifying remedy. Sterilization will do the job just as well at the moment. Such a course will be unanimously approved by the farmers and, we believe, by practically the whole of the business world. The country generously kissed good-bye to $500,000,000 when the Farm Board was created. Let it go, and get the Government out of business and out of the way of prosperity!

E. Kenneth Burger
Managing Editor

C. G. Wyckoff
Publisher

Theodore M. Knappen
Associate Editor

Investment and Business Trend

The Public Debt—A National Loss—
Hang Together or Hang Separately—
Deflation—The Market Prospect

THE PUBLIC DEBT

FOR the first time since 1920 the Federal public debt will be increased this year, despite the fixed sinking fund appropriation for its ultimate discharge. This year Mr. Mellon will have no surplus to supplement the sinking fund and is faced with expenditures that exceed revenues. The net reduction in the public debt has averaged about 900 million dollars a year for ten years. This huge distribution doubtless had something to do with the speculative excesses of 1927-29.

During all those ten years there was a certain volume of complaint that the burden of the war debt ought to be more equitably divided between the present and succeeding generations by means of more gradual amortization. Hard times have emphasized this contention. Actually, the nation, as a whole, paid for the war as it was fought; the war debt, being an internal one, merely represents a readjustment between citizens as taxpayers and those citizens or their successors who gave their wealth in the form of loans to be destroyed by the war. If every citizen had bought and kept war bonds in exact proportion to his taxes, the liquidation of the debt would be merely taking money out of one of his pockets and putting it into another. There would be, practically, no debt for anybody to pay.

The question of the advisability of slower reduction hinges on whether giving the citizen taxpayer more time to pay the debt is better than to have the citizen lender to extend the time of his repayment. Directly and indirectly all citizens contribute to payment, but a much smaller number receives payment. Another way of putting it is: Is it better to let the many borrowers keep more of their annual earnings than to reduce the rate of reimbursement of the comparatively few payees, even though further deferment means in the end larger payments by the debtors and larger receipts by the creditors.

The old proverb that the payment of debts is the best use of money does not necessarily apply here. The more of his income each citizen can keep for his personal and business uses, especially in these times, the faster he can improve his position and thereby that of

business in general. Reduced taxation contributes to that end. We see, therefore, nothing to regret in the present enforced retardation of national debt liquidation. We deeply deplore increase of the debt because of increased expenditures when revenues are falling. That is bad public housekeeping. Reduction of the amount annually deflected to the sinking fund for debt payment would be a great help during the next two or three years. Reduced taxation will hasten business recovery. Enormous debt payments are a grievous burden on the masses and enormous disbursements of public funds in non-productive debt paying are a stimulant of inflation and speculation. We have more need now of the healthy recuperation of business than of the stimulation of speculation.

A NATIONAL LOSS

THE passing af the veteran George F. Baker at 91 is more than a loss to Wall Street, more than a loss to New York. The absence of his silent but powerful influence will be felt the country over. The dean of American bankers, a large stockholder and director in many of the greatest corporations, his personality, shrewd judgment and conservative policies will not soon be equalled by any one individual. In fact his death is perhaps most significant to financial America as marking the last of a generation of leaders headed by J. P. Morgan, the elder. New blood must face the challenge and responsibilities of leadership at a time when it is most sorely needed.

HANG TOGETHER OR HANG SEPARATELY

THE meeting of the League of Nations Committee on European Union at Geneva on May 18 will be worth watching. Europe is at the cross-roads. It may easily turn one way or the other—toward union and co-operation or toward more destructive competition and ultimate war. The meeting may be one of those crises of history when the world wavers between progress and regress and often receives its fateful inclination from some minor circumstance, such as a personal row between statesmen. The occasion of this meeting should serve to remind thoughtful people throughout the world that the problems which the depression has accentuated are fully as much international as national. The world needs some sort of practical recognition of the fact, with its consequent adjustment of national policies. In an address last week before the International Chamber of Commerce, in Washington, Dr. Ernst Wagemann, chief federal statistician of Germany, pointed out that while since the war the expansion of production everywhere calls for greater and wider markets, all nations have been setting up various and numerous political and economic barriers to access to markets. Production has been driving one way and distribution the other. The adoption of a world economic policy that fits the facts is imperative to future prosperity. It is beset with some very stubborn problems, such as what to do about Russian competition, a competition that is of its own kind and also has political motives opposed to the very existence of other states. The nations do not seem to get along well with each other, but most of them can't get along without each other. A great degree of co-operation is the only alternative to mutually destructive separatism.

DEFLATION

WE have learned since the stock market crash of 1929 that mental resistance to depression, as reflected in the inflexible optimism of political and business leaders, may do far more harm than good by delaying general recognition of the fact that complete economic readjustment is necessary and unavoidable. It is an essentially favorable thing that illusory hope of a quick recovery, without far-reaching readjustments of fundamentals, has so completely broken down. Paradoxically, it is the very process of deflation which offers the strongest genuine basis of hope in the present situation. It is only through this natural, painful method that economic sickness cures itself, permitting business at last to stride confidently along the road to recuperation. Each month brings us nearer to the ultimate cure, thanks to continuing deflation. Due partly to normal economic factors and partly to social causes, our descent toward a sound base of recovery has been halting and irregular. In some directions deflation makes but slow headway. Taxes, for example, have not come down at all and probably will continue to offer the greatest resistance to needed deflation. Rents have made but a start on the downward course and may take another year to fall in line. Deflation of wages is not yet complete but has gone further than is generally realized. History suggests that it will be completed at a relatively high level, in comparison with pre-war standards. Commodity prices have gone through the most drastic part of their slump, standing now, on the average, only 5 per cent above the 1913 level. Interest rates have been thoroughly depleted for some time, but the final touch has recently been given by the establishment at 1½% of the Federal Reserve rediscount rate at New York—the lowest in history. Cancellation of the war-time inflation can reasonably be expected to provide a base of resistance. Brokers' loans, as measured by the inclusive record of the Stock Exchange, have fallen from $8,549,383,979 at the close of September, 1929, to $1,651,128,124, the smallest total since publication of the statistics began in 1926. We are unquestionably nearing bottom here. From the peak of the bull market the average level of stock prices has dropped more than 60 per cent, breaking all former bear market records. Obviously, considerable progress has been made in a difficult, unpleasant but absolutely essential process.

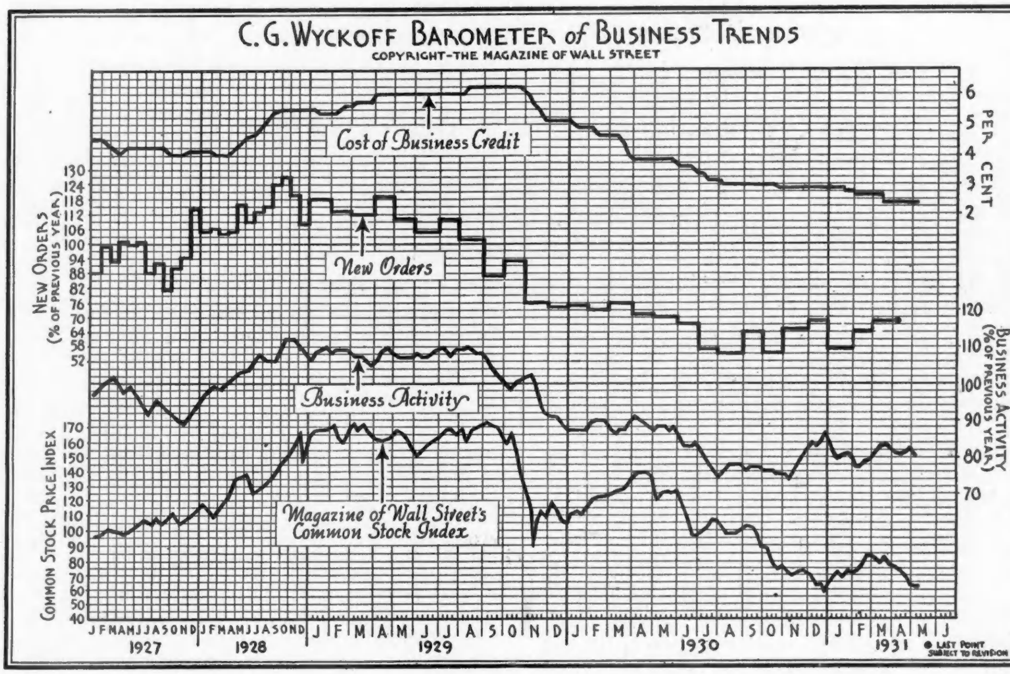
THE MARKET PROSPECT

OUR most recent investment advice will be found in the discussion of the prospective trend of the market on page 76.

Monday, May 11, 1931.

Taking the Pulse of Business

Business Holds Its Ground But Market Prices and International Conditions Restrain Progress



THE lowering of the re-discount rate by the Federal Reserve Banks in Boston, Philadelphia and Dallas and the dropping of the rate in New York to 1½ per cent—the lowest figure in the history of any central bank—no doubt has a dual purpose. On the surface the objective is to check the unwelcome influx of gold from foreign countries, but the real aim is to drive idle money to work. Contrary to popular view, money is not too abundant outside New York and doubtless it was the purpose of the New York Bank to stop the flow of funds to this center and keep them where they might be better employed for the good of general business. It will be observed that the cost of business credit line, in common with interest rates the world over, has been declining for some time and further recessions will doubtless result from the recent Reserve action. Another important result from current and prospective low rates should be soon manifest in the general level of bond issues, particularly in high grade issues. Perhaps later on, as demand grows, strength in such issues may be translated into second-grade obligations and still later to common equities. At present, however, the stock market gives little indication of this last development. Indeed, the level of corporate earning power has kept the market in a declining trend for the past two months even though the general level of business has at least held its ground. The descent of stock prices has continued even though the Business Activity Barometer has again turned upward in response to the further moderate increase in new orders shown on the graph. Obviously the market is uncertain as to nearby or rapid business recovery.

The increase in new orders is mostly attributable to machine and tool buying, as the result of plant re-equipment during slack business for textile orders. Greater activity in cotton goods particularly is significant for as a leader in this depression it is duplicating the performance of ten years ago although the intervening period, when the general trend of industry was upward, was mostly unfavorable to textiles. Taken as a whole, the upturn in new orders is not impressive. It cannot be with building and construction lagging after a small spring spurt, the automobile industry low in output, petroleum depressed by a flood of oil and the railroads sadly in need of freight traffic. The demand from these great consuming industries is lacking. Moreover, there is still too much hesitancy in buying with prices yet to evidence genuine stability. Business is still cautious and progress will continue slow until the skies clear, not only here but abroad.

Market Seeking New Base on Penny Earnings

Current Developments Offer Little Ground for More Than Technical Recovery—Poor Earnings and Confused International Situation Restrain Prices

By A. T. Miller

ASSUMING steadily increasing significance, reaction in the stock market since the peak of the February rally now shapes up plainly as the fourth major phase of the underlying bear movement. Gone is the hope, so strongly held at the start of the year, that the distress selling of last December constituted a final speculative and financial house-cleaning. The base then established is revealed to have been inadequate. Deep-seated difficulties, glossed over and temporarily forgotten during the January-February interlude of recovery, once more cast their shadows over the economic vista.

The recent decline is more than the normal correction of an unsound, professionally manipulated advance. It represents a basic, rather than intermediate, change of market trend and thus is comparable to the collapse which followed the 1930 spring boom and to the slump of the following autumn. It is another milestone along the rough road of economic readjustment, perhaps throwing fresh light upon the 1931 prospect and certainly demanding thoughtful attention from those thousands of potential investors who are awaiting the favorable time for long-term purchase of securities. To them April 29, low point of the decline up to the present writing, necessarily becomes a speculative landmark which will be watched in coming weeks as December 16 was long watched. Some will probably take comfort in the thought that a decline so extensive must obviously bring nearer the ultimate culmination of reaction, although this method of reasoning has been of little practical help heretofore and remains both vague and hazardous.

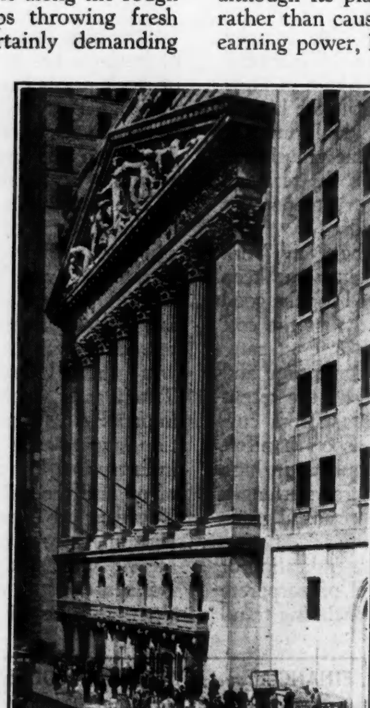
There is, however, some evidence at present that concentrated liquidation in the main body of stocks has spent its major force for the time being. If this is true—and it is tentatively borne out by a lapse into extreme dullness—the position normally would call for either a minor technical recovery or, in the absence of fresh business developments, a transitional interlude of inaction, without wide change of the price base. A waiting period of this kind seldom throws much light on the underlying trend but does permit a gradual shaping of the opinions and marshalling of the forces which will dictate the next important move out of a trading area.

Whatever that move may be and whether it comes soon or late in the summer, the fundamental thing is that, as far as can be seen at present, we remain in the inexorable grip of a record-breaking bear market which has been, and is, directly reflecting conditions of acute and world-wide depression. Its pattern is so finely interwoven and made up of so many complications that it is extremely difficult to measure the proportionate effect of the individual bearish constituents. Yet it seems clear that the outstanding factor to which the market has directly responded is the continuing shrinkage of corporate earning power.

There is little practical point in going behind this factor, although its place in depression obviously is one of effect rather than cause. It is in terms of the dollars and cents of earning power, however, that the market is forced to think.

It has long been known, of course, that the base of first quarter earnings would be unfavorable. At the same time little or no change is visible in the basic business trend which, despite seasonal recession from a very low spring peak, appears virtually static. The slump in the market plainly is not paralleled by a slump in the business line, as was the case last autumn. This circumstance has led some optimistic observers to contend that the market has simply had a belated attack of nerves, that it has taken fright at revelations which were fully to have been expected and that it has lost touch with the business situation.

But this is an argument to which the prudent will pay scant heed. Earnings constitute the business actualities of most concern to the stock market and if existing earning power has not been sufficiently discounted by stock prices it makes little difference that the general level of business activity seems to have passed the low point of the depression. However grateful we may be for the apparent absence of renewed



industrial slump, it is not a prosperity level at which business has paused. The fact is, that despite much talk of excessive pessimism and an overdone bearish psychology, the market has been slow to recognize the full extent and significance of the general decline in corporate earnings. Many "insiders" have been aware of the actual position and the early weeks of the recent decline can now be seen to have been directly related to informed liquidation.

Even after freely forecasting a series of exceptionally poor first quarter earnings statements, however, Wall Street itself was startled and amazed when the cold figures began to come out. With dramatic force it was impressed upon the financial community that even the seemingly low stock prices of December 16 could no longer be regarded as having adequately discounted the situation. The hard fact, not of lowered earning power but, in the case of many leading companies, of a virtually vanished earning power had to be faced. No single development carried comprehension to the market more suddenly and effectively than publication of the first quarter earnings of the United States Steel Corp., the figures being issued after the close of trading on April 28.

Wall Street knew they would be bad and, because of fore-knowledge, watched the news tickers with more curiosity than anxiety. Yet the result was a stunning surprise. "Steel earned 5 cents a share!" was the astonishing news that flashed through the financial district. It was from that moment that the stock market, reflecting the opinions, hopes and fears of the investors and speculators of the world, first comprehended in full and appalling clarity that it was faced with the necessity of measuring the earnings even of the industrially mighty in pennies per share rather than in dollars.

What Becomes of Dollar Profits When Earnings Are Measured in Pennies

	1931 1st Quarter per Share	1930 1st Quarter per Share
United States Steel	$0.05	$3.44
Bethlehem Steel	.06	2.60
Pullman	.15	1.16
American Bank Note	.05	.99
Johns-Manville	.13	.81
Packard	.01	.18
Inland Steel	.52	2.26
National Steel	.89	1.50
Bush Terminal	.84	1.15
Westinghouse Air Brake	.31	.69
Radio Corporation	.02	Not reported
Gillette	.52	.98
General Cigar	.75	1.07
Checker Cab	.01	1.05
Childs Company	.31	.80
General Refractories	.90	2.53

Much "good" selling had preceded this news. Steel had sagged for weeks. It harbored a large short interest, ready to cover when the news was out. Yet the distressing character of the statement outweighed all immediate factors of support and dictated a fresh burst of liquidation. The stock, bellweather of the list, plunged down 9⅛ points next day on a huge turnover, carrying the market with it. Even then it invited little genuine demand. Its report is a striking sample of the industrial situation and additional unpalatable samples are provided in the "penny statements" of other large companies.

It remains to be seen, even after a 50-point market decline, whether the significance of the existing earnings base has been completely discounted, particularly since there is every prospect that the second quarter earnings will show little or no improvement, thus resulting in another series of unfavorable reports during July.

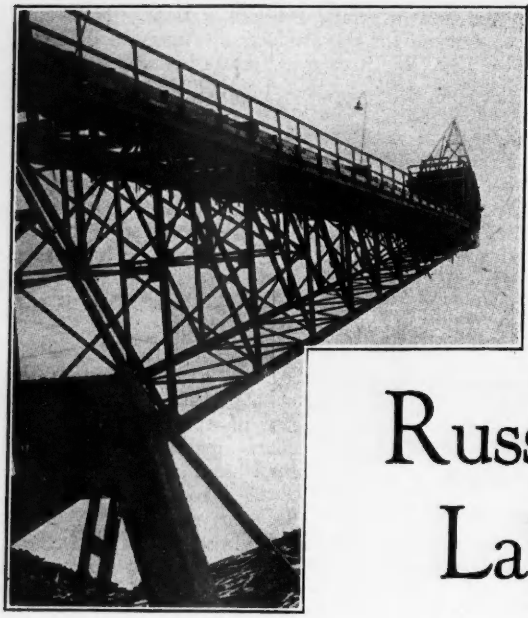
Such figures are merely one of the graphic effects of depression but they do serve to focus renewed public attention upon the basic and inclusive nature of the economic illness with which the world is confronted. Repetitious as the assertion may be, the central fact is that the paralysis of world trade is unbroken. Excess of products or huge potential output constrict markets everywhere with political jealousies, indebtedness and tariff measures further hampering the free flow of trade between nations. Naturally large scale demand for the products of American industry remains lacking. We have gone from a luxury to a necessity base and proof is yet lacking that the readjustment has been completed. The commodity slump continues. Unemployment is not substantially lessened. Wage and dividend revisions point to some probable further shrinkage in general purchasing power before a reverse trend sets in, there being little apparent prospect of any important lifting influence except in the possibility, some months hence, of a relatively favorable crop outcome. It is these actualities which will continue to rule the basic market trend and in the contemplation of them precedent is not necessarily a reliable source of early hope.

Other factors, of course, also are involved in the immediate situation. Not the least of these is the unfortunate realization that the housecleaning made necessary among financial institutions by the constant whittling down of the margin of safety behind collateral loans was not completed last December. Public confidence in the financial structure was seriously shaken at that time by a series of failures. It recuperated slowly during the first quarter. The failure of two more brokerage houses and the internal re-adjustment of another have again dragged out into the open the unpleasant fact that some institutions, like so many individuals, are still burdened with the mistakes of 1929. Although attracting less public notice, failures of banks also continue a sore spot, even though most such institutions are small and in rural districts. The first quarter list approximates 350 banks. Each such insolvency not only means a certain amount of direct liquidation but influences even strong banks to move yet a step further toward maximum liquidity by forcing additional liquidation of collateral loans.

Liquidation of this kind, reflecting the determination of the banks to improve their collateral loan account, has been a vital factor in the fourth phase of the bear movement. There has also been a heavy voluntary liquidation on the part of investors, including investment trusts, discouraged by the outlook of many individual securities. "Good" selling appears to have been a larger factor, indeed, than the forced cleaning out of impaired margin accounts, although even this process, as reflected in a decline in $257,682,370 in Street loans during April, has by no means reached a necessarily irreducible minimum.

Considering the character of the recent selling and the continuing lack of important demand, it may well be wondered whether the decline has improved the technical position as much as professional Wall Street likes to imagine. Intermediate rallies thus far are of feeble range and vigor. The market at the moment shows no such "snap back" quality as was revealed after December 16. After so many false recoveries there is much less speculative inclination, particularly on the part of the public, to "play for a rally." And since the prospect of attracting a public demand appears slight, professional manipulators are forced to bear

(Please turn to page 101)



¶ Don't Let the Five-Year Plan Confuse the Main Issues

Russia Menaces Both Labor and Capital

By C. G. Wyckoff

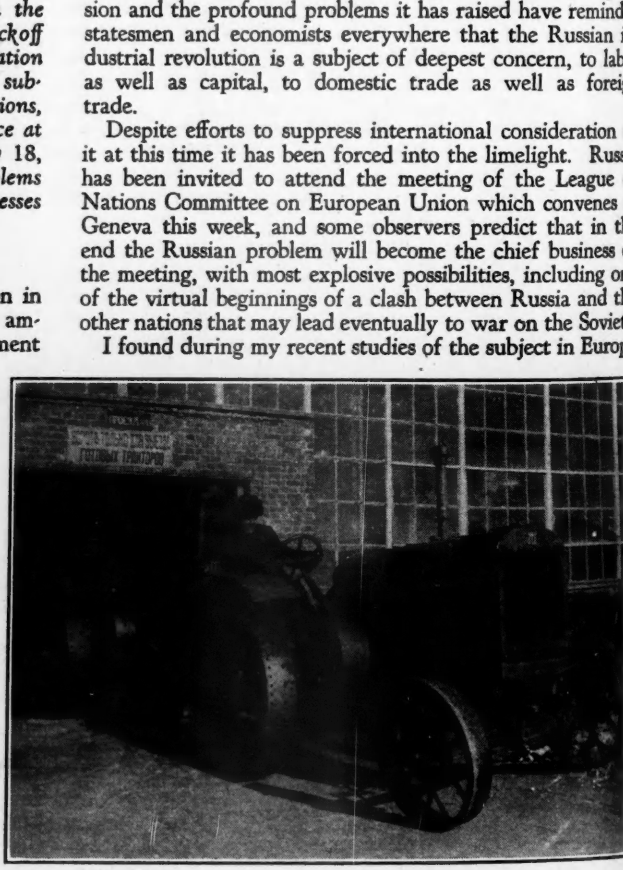
Those who have faith in the evolutionary experiment which is known as the Five-Year Plan, as well as those who doubt its success or its merits, will be interested in the presentation of this interesting material which Mrs. Wyckoff has just brought back from Europe. It contains information and ideas which are both new and enlightening. The subject of Russian development and its effects on other nations, especially the United States, is of particular importance at this time on the eve of the meeting in Geneva, May 18, when representatives of the nations must face the problems of both capital and labor which Russia's awakening presses upon the world.—Editor.

FOR more than two years there has been going on in Russia the energetic working out of the most ambitious plan of rapid industrial development ever conceived. The shift which Russia is attempting to bring about within five years from an essentially primitive and agrarian economic system to one of highly modern industrialized mass production is so novel and sensational as to evoke universal interest—an interest that has been accentuated by the recent injection of Russian goods into world markets in a volume and at prices that have disrupted the structure of international trade in a number of commodities.

Some conception of the havoc that may be wrought by the sudden industrialization of a nation of 160 million people which has hitherto been practically negligible in the commerce of the world has begun to take form. But the full significance of the ultimate effects of a centrally controlled, fully industrialized, so-called communistic state injected into the midst of the capitalistic economy of the rest of the world has not as yet been generally appreciated, least of all in the United States where the change from the original Marxian principles to state capitalism has received almost no recognition. Heretofore, more attention has been paid to the effects of a successful Russian experiment, on the political structure of other nations than to its economic consequences. But the growing complexities of international economic relations which have been brought into bold relief by the general business depression and the profound problems it has raised have reminded statesmen and economists everywhere that the Russian industrial revolution is a subject of deepest concern, to labor as well as capital, to domestic trade as well as foreign trade.

Despite efforts to suppress international consideration of it at this time it has been forced into the limelight. Russia has been invited to attend the meeting of the League of Nations Committee on European Union which convenes at Geneva this week, and some observers predict that in the end the Russian problem will become the chief business of the meeting, with most explosive possibilities, including one of the virtual beginnings of a clash between Russia and the other nations that may lead eventually to war on the Soviets.

I found during my recent studies of the subject in Europe



Press Cliche Photo

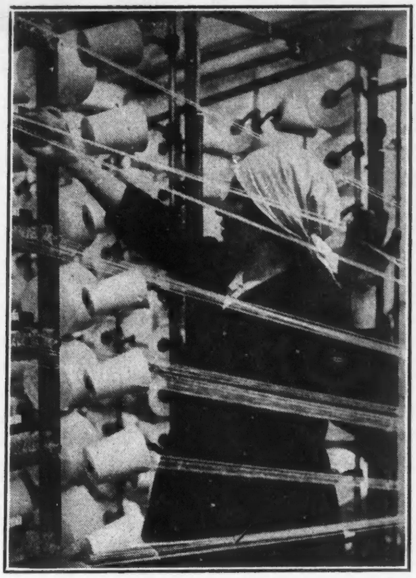
Stalingrad's Daily Output 25 Tractors—10 Per Cent of Schedule

that Russia is the specter that haunts the minds of the statesmen and industrialists of western Europe. The fear of the increasing industrial competition at this time of great economic stress disturbs those who are not alarmed by fears of political disruptions and revolution. There is a widespread feeling that a new economic force has come into the world, and that for a long time to come a variable novel factor of possibly huge proportions must be taken into account in all European economic affairs.

In some quarters the profound antagonisms that have been created by the introduction of a new social and economic order into eastern Europe are considered as overshadowing all the ancient enmities and concords of the continent and establishing new lines of division and alliance. There are not lacking those who insist that war—world war—is inherent in the Russian situation. Such observers point to the fact that from the days of Lenin and Trotsky the Communist party has preached the overthrow of all capitalistic governments everywhere and has in fact maintained that the success of Sovietism in Russia itself is finally dependent upon its universal adoption. Thus, it is argued, the arbitrament of arms is a recognized possibility.

Triumph of the Five-Year Plan

The revival of apprehension concerning the Russian bear in proletarian skin is mainly due to the now generally accepted belief in Europe that the five-year plan of Russian industrialization will triumph in its general outlines. To my mind the technical question of victory or failure of the specific plan is of secondary importance. What has been accomplished so far cannot help but exert world wide influence and whether the plan succeeds in five years or has to run into a ten-, fifteen-, or thirty-year program its essential menace to world economics remains. That menace consists in the rapid industrialization of almost a quarter of the land area of the globe. What in the ordinary course of industrial evolution might have taken a century is coming much sooner. This means that the industrial nations of the world, dependent upon foreign markets for the maintenance of prosperity and even of their present populations, are to be deprived of an essential market. Even more ominous is the prospect that industrialized Russia will be disastrously competing with them in their markets elsewhere and even within their own boundaries, even in the United States. This competition is further aggravated by its political correlations, because it is the policy of the Soviet government to use economic distress caused or contributed to by its economic penetration as a means of overthrowing all capitalistic governments and bringing about the general adoption of Sovietism. Unemployment and suffering in capitalistic countries under present conditions are stressed by Soviet leaders as the failure of private capitalism; and are used to bolster the flagging spirits of the Russian people toward the Soviet goal.



Press Cliche Photo

Cotton Goods Manufacture is Restrained by an Absence of Short Staple

The Soviet View

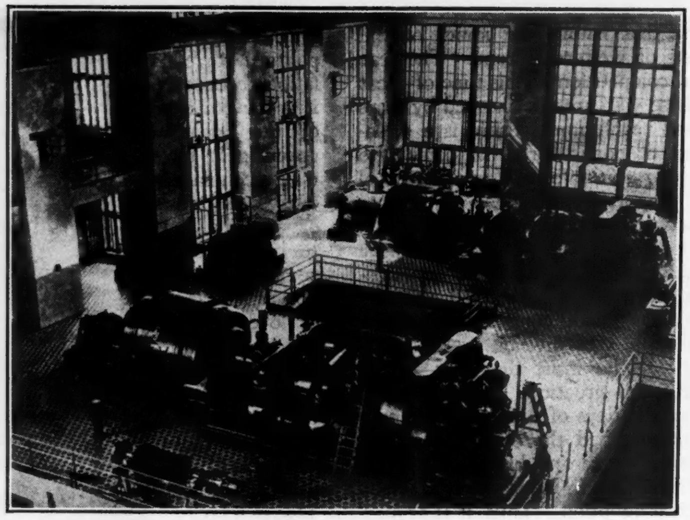
On the other hand, the Russian communists profess to be of the opinion that there is dire danger that the capitalistic nations will anticipate the proposed socialization of the world by economic and even military offensives against the Soviet regime. Economic isolation is held to be possible, and even military intervention. Indeed, the main reason given for the feverish industrialization of Russia is the necessity of being self-contained industrially as an essential element in the military defense of the Soviet regime against invasion. While any thought of an attack on Russia by the capitalistic nations may be considered fantastic, there is no doubt that in some quarters there is speculation on whether it would not be better to overthrow the Soviet government before it is ready to undertake a determined economic and even military assault upon other nations. There are, I found, some nebulous unofficial discussions of the procedure that should be followed should war become inevitable. One suggestion is that England and the United States should shoulder the brunt of the offensive, it being held that those two nations have the most at stake in the event of Russian socialization threatening the peace of the world, the decline of the standard of living for labor at least for an extended period and the permanence of the private capitalistic system. Moreover, there is also the consideration that England might welcome a war of conquest to strengthen her weakening national strength while America might be sought particularly as the potent financier of operations. Opposed to those who uphold these views there is, however, another faction which contends that Russia's harm to world markets may be checked by an extensive boycott on her goods. In such minds the picture of Napoleon's disastrous retreat from Moscow doubtless fathers the disbelief that a country of such expanse and resources as Russia could be effectually quelled by force of arms.

(Please turn to next page)

Press Cliche Photo

Huge Metal Works at Donbas

But quite beside political considerations arising from the fear of "the growing animosity of the capitalistic nations, in whose program the organization of a capitalistic crusade against the U. S. S. R. occupies the first place," according to a Russian official statement, is the domestic political consideration of extirpating the roots of all capitalism in the Russian economic structure. In this Russia has not been successful. What she has done is to create a form of state capitalism as opposed to the private capitalism of such countries as our own. Her endeavors to completely socialize has necessitated the inclusion of agriculture in the Five-Year Plan, as under the "new economic policy" (NEP) expediently introduced by Lenin, the peasants, constituting about 85 per cent of the population, remained in a capitalistic environment. In this connection it is to be remembered that the true Soviets number only about a million and a half with perhaps 28.5 million adherents—a total of 30 million out of a population of 160 million. "The small agricultural units represent the roots of capitalism," says a Soviet official statement. Further, all efforts must be directed toward the destruction of these roots. In leaving Russia an agrarian country, the main aim of the Communist party is the creation of socialistic production by socialist society. Moreover, the intensive industrialization of the country is dependent upon the supply of raw materials and so "the problem of rapid agricultural development in the same socialistic framework had evidently to be dealt with, and the system of socialist agriculture in the form of government and collective farms was introduced as an indispensable element of the conversion of Russia into a self-contained industrial nation." Again note that in all official utterances reference is made to old Marxian principles, of which a bare semblance persists under present conditions.



From "USSR in Construction"

Electric Power An Essential Part of the Plan

Thus, the basic ideas of the Five-Year Plan can be summarized as follows: The rapidly forced industralization of the country in view of the threatened struggle with the capitalistic world and the social reconstruction of agriculture in support of industrialization, and the final destruction of all private capitalistic elements within the Soviet Union. Apparently the spread of Sovietism throughout the world is not being pushed as aggressively as previously planned, although the Communist Internationale is still carrying on from its Moscow headquarters and is organically linked with the Soviet government.

The Five-Year Plan is a supreme drive to make Russia economically independent at the earliest possible moment, and at the same time to hasten the raising of the standard of living to that of the capitalistic countries, as it was obvious that Sovietism would evidently destroy itself if it could not at least bring about a general well-being equal to that of foreign countries. The Russian people have been promised a living standard as high as in the United States, and in America we have been too ready to accept this ambitious bluff in its most literal sense, little realizing the magnitude of the gap between primitive Russian peasantry and our civilization. The idea becomes the more absurd when it is noted that originally it was intended to bring this to pass within five years. It is now obvious that this particular goal will not be reached. It is in that sense that some commentators insist that the Five-Year Plan is already a demonstrated failure. And now Stalin says that if necessary the achievement of the ultimate goal will justify the sacrifice of the material well-being of an entire genera-

(*Please turn to page* 128)

Press Cliche Photo

Collective Farming is Held as an Indispensable Tenet of a Self-Contained Russia

Can Business Prosper on Low Commodity Prices?

Stability Rather than Higher Prices Needed as Basic Materials Approach Pre-war Levels—Arrested Decline Would Foster Pronounced Recovery in Corporate Profits

By NICHOLAS T. CALHOUN

NOTHING looms larger in the present economic picture than the continued acute weakness of commodity prices. By the end of this month, if the recent rate of average weekly decline is maintained, the war-time inflation will have been completely corrected and the wholesale price level will be back to the 1913 base. The "good old days" that some of us like to talk about, when a dollar did a dollar's work, seem about to return.

Just how "good" the pre-war price level would prove, however, from the standpoint of business is a question now weighing heavily upon the collective financial mind. It is an oft-heard prophecy in Wall Street that business revival must await either an advance in commodities or a definite halt in the decline. Only the course of events can reveal whether we are in for a prolonged price slump, such as lasted for approximately thirty years after the Civil War, or whether, as some economists believe, the downtrend will be significantly reversed before the end of the year. Meanwhile it is worth pondering whether a low level of prices will exercise as dominant and as unfavorable an influence upon business as is popularly supposed.

There are many reasons, both historical and theoretical, for a rather confident assumption that substantial advance in commodities is not essential to a satisfactory recovery of corporate profits. Indeed, precedent suggests that business will experience its basic turn for the better while commodity prices, on the average, are still declining. There are signs even at present of such a contradiction in trends, for the course of business for weeks has appeared relatively stable, perhaps at a point moderately above the low, while commodities week after week have continued their abrupt descent.

Lack of Stability

Under existing conditions of subnormal corporate profits, reduced purchasing power and continuing uncertainty, it would be absurd, of course, to contend that further decline in commodities can be ignored. Whether the turn has been seen or not, earning power has far to go in the long climb back to normal. Fast transportation and the modern policy of hand-to-mouth buying can only partially offset the paralyzing effects of acute commodity deflation, for our economic life is an exchange of values and drastic readjustment of price relationships effectively gums the machinery. It appears certain, therefore, that business recovery can make only slow headway until the present *pace* of commodity reaction is very substantially retarded.

But it is merely the transition from an inflated to a deflated price level that is difficult, particularly when, as in the present instance and in 1921, the readjustment is violent. Low prices in themselves can not constitute a necessarily unfavorable element in the business picture. They need only be high enough for the survival of efficient production. Since the long term wage trend in this country has been ever upward, a lower commodity price structure should make it possible for the average individual to purchase a greater volume of goods, although this normal tendency will not exert its full force until the completion of readjustment begins to reduce present unemployment. Low prices, if reasonably stable, should fit in perfectly with the American system of volume production and decreasing unit cost. Indeed, if there is merit in our Machine Age with its expanding output per worker, the result can be happy only if the declining costs are consistently passed along to the consumer in the form of lower prices. Although obscured by larger forces at the moment, there is unquestionably a long term technical trend toward lower prices.

The Civil War Parallel

Between such a movement, however, and that which we have witnessed since July, 1929, there is, of course, little connection. The prospect that prices may soon duplicate the 1913 level is of unusual interest, for when we get back to the point from which the joy ride of inflation started we should perhaps be able to regard this as a natural resistance level, serving to check the fall of prices if not to halt it. Such a result would strikingly parallel the Civil War experience, when the more drastic part of the slump ended in approximately fifteen years, after re-establishing the pre-war price level. In that instance several years of moderate rally and stability preceded gradual extension of the basic decline. There is reason also to expect a growth of natural resistance as commodity prices approach the level of production costs. In some instances this probably has already been reached or passed, although the favorable implications of such a development perhaps are temporarily offset by the existence of accumulated surpluses and by the persistence of many industries in continuing to pin their hopes on artificial schemes of price and production control.

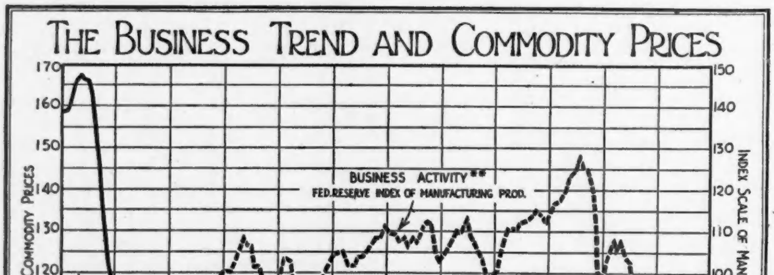
It is impossible, of course, to speak in general terms of the cost level at which production is checked. One farmer

will profit at the current low price of wheat, another will go bankrupt. Some copper companies can profit on a deflated level of the metal, others plunge into the red. The same is true of the steel makers and, in fact, of all production. The varying degrees of human efficiency constitute an automatic governor which, fortunately, limits the swings of the business cycle. The elimination of marginal production, however, is one of the important preludes to recovery.

A Quick Recovery

In relation to the present situation the most pertinent evidence of the proportionate importance of the commodity price movement in its bearing upon the trend of corporate profits is to be had in the record of 1920, 1921 and 1922. Taking the 1913 price level as a base of 100, prices slumped from a 1920 peak of 225 to 150 in April, 1922. This was a much faster and more violent readjustment than that experienced thus far since July, 1929. Occurring before the day of hand-to-mouth buying, it found business inventories heavily overloaded and was perhaps the chief burden under which profits vanished. After that tremendous deflation commodities rallied only 6 per cent during 1922. The gross volume of business in that year is estimated to have increased only 8 per cent over the depression year 1921. Business men thus were favored by only a most moderate lift in commodity prices and gross volume. Yet corporate profits, according to the Federal income tax records, recovered approximately 800 per cent in 1922, amounting to $4,500,000,000 as compared with $5,000,000,000 in the boom year 1920.

This remarkable performance no doubt derived some aid from the 6 per cent rally in commodities but this factor probably was less important than the absence of further drastic decline. Business was able to start from a new base and convert into profits the efficiencies learned in depression. It is true that recovery at that time depended in part upon the beginning of the automobile boom and the making up of a shortage in construction, factors of abnormal expansion not now present, but it is at least debatable whether this was as important as the internal rejuvenation which corporate management always finds in the crucible of hard times. Necessity being the mother of economic efficiency, as well as of invention, business can scarcely fail to emerge from the present test with keener intelligence and stronger energies than have existed in recent fair weather years of easy prosperity.



THE BUSINESS TREND AND COMMODITY PRICES

Hampered by rapid price decline, business at present needs stability rather than the crutch of advancing prices. Given reasonable stability and even a moderate expansion in consumer demand, the reversal of the cycle will precede with cumulative force. If the problems are bigger than in 1922, so is the mental capacity to meet them. We will merely be duplicating history if the recovery of profit margins is much faster than Wall Street can now imagine. There is no reason, after readjustment shall have been completed, why such a result can not be achieved on the basis of pre-war prices. The most unfavorable feature of the present price level lies in certain maladjustments between different commodity groups, notably in the discrepancy between agricultural prices and the prices which the farmer has to pay for his purchases and, in some instances, in an unhealthy spread between wholesale and retail prices. Price stability must await these corrections.

Business Precedes Price Turn

There is nothing in the record of the past to support the assumption, often carelessly voiced in financial circles, that an advance in commodities is a necessary prelude to business recovery. On the contrary, the history of the last forty years shows that a change of trend in commodities has almost invariably lagged well behind the upturn in business. While business experienced a major upward turn in December, 1896, for example, commodities only began to advance in January, 1899, or twenty-five months later. In ten depressions of the last four decades the average lag between business advances and commodity upturns has been ten months. Assuming then that business changed for the better near the turn of this year, as the Wyckoff Barometer indicates, this average suggests that there should be some improvement in the commodity situation, either in the direction of stability or slight rally, some time in the autumn of this year.

In 1921 business reached the bottom of the cycle in March but the decline in commodities did not come to a halt until April, 1922, or eleven months later and at a time when business activity was rapidly expanding. In this paradox, however, there were qualifications which cannot be ignored. The violent portion of the price slump came to an end by the middle of 1921 and was followed by a few weeks of stability, a slight autumn rally and then renewed gradual reaction to the 1922 low. The net extension of the decline after mid-1921 amounted only to some 2 per cent and hence had ceased to be an impossible obstacle to corporate management.

The business reactions in 1924 and 1927 were paralleled fairly closely by minor declines in commodity prices, but in the remarkable expansion of corporate earnings in 1928 and 1929 there was no comparable advance in commodities. On the contrary, while business profits soared to unprecedented peaks, wholesale prices on the average never got back to the highest levels even of 1923 or 1925. The commodity high of 1928 was approximately 4 per cent

(*Please turn to page* 124)

Flying Speeds the Pace of Transportation

Increasing Development of Aviation in All Branches Exerts Profound Effect on Many Industries

By HOWARD MINGOS

MOST students of business attach considerable importance to the fact that in the past our eras of high prosperity have followed closely the development of some new method of transportation.

They like to point to the canals and waterways, the railroads and the motor car which successively opened up new fields, created new industries, expanded other payrolls and added the impetus that always marks the difference between dull times and good. And now these same observers are scanning the far horizons for something that may do the trick again.

They can see a possibility in the flying machine. Flying appears to have the speed needed to send the wheels of industry spinning faster than ever before; and many are inclined to the belief that it actually is ushering in another period of prosperity. Let us see.

A New Basic Industry

Aviation is an all-embracing business, a combination of railroading, shipping and motoring. Every conveyance on land or water has its counterpart in the air. This has set up the newest of the basic industries. And though as yet employment fewer than 25,000 persons and with an annual payroll below 50 million dollars it is growing with incredible rapidity.

Despite the general lack of dividends, American aviation is in better shape fundamentally than at any time in its brief career. With few minor exceptions, the financial structure is sound; the companies are in able and experienced hands.

Of course, this is not to say that earnings have reached a satisfactory level. On the basis of capital investment the showing of even the best companies is relatively low and probably will experience only moderate improvement as general business recovers. The industry is still young and has a considerable distance to go before it justifies an investment rating.

Fundamentally, however, the interest in the aviation industry is not so much in its present, or even prospective profit position so much as in the significance of its development on other industries and its effects on general business. This can not be disregarded.

Broad Influence in Business

More persons are being employed month by month as new ways develop for using the airplane profitably. All told, the stimulative effect is becoming tremendous. It is beginning to percolate through all industry and other lines of business.

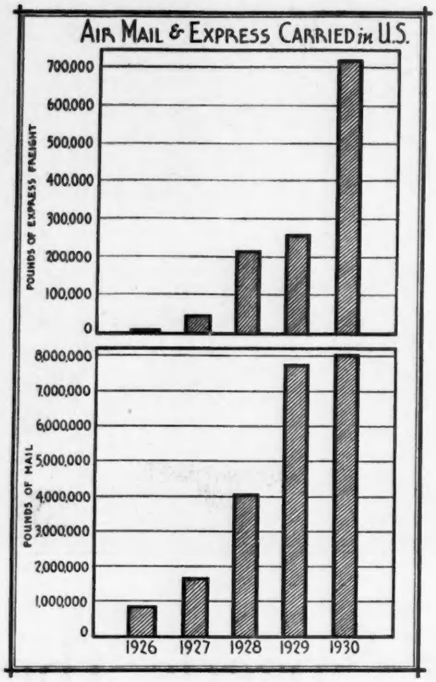
American planes are flying on schedule over a third of

the world's 150,000 miles of regular air routes. More than 1,200 persons ride over the air lines in this country every 24 hours. Their average trip is 250 miles. They pay an average fare of 7 cents a mile. Whole fleets of transport machines are beginning to leave the terminals in place of the erstwhile one or at the most two. It is conservatively estimated that air passenger revenues this year will total 20 million dollars.

"But how can that help business?" I hear the critics ask. "Air traffic only curtails so much patronage on the surface."

Even so, the vast majority of persons traveling by air make the trip because they are in a hurry. Otherwise they might never go at all. And they usually travel part of the way by train.

There is other compensation. Some 50 different kinds of woods, metals, textiles and other materials enter into the construction of an airplane and its engine—just so much more freight and heavy express for the railroads. After this new stock is fashioned into the hundreds of forms required by any airplane design, these parts again go by freight and express to the factories for assembly, then the completed planes and engines go out over the rails to the distributors. Flying is no great menace to the railroads or steamships.



It may, of course, eventually take away all their fast and extremely costly patronage but to the ultimate satisfaction of the stockholders. Fast surface traffic drains the revenues to the exclusion of profits. Practical railroad men assert that if they could send by air all traffic going faster than 35 miles an hour, they would save millions in maintenance costs on tracks and other equipment.

So when 6,000 persons fly between New York and Washington every month, as they now are doing, they relieve the roads of speeding 200 parlor cars over their tracks and advance the day when all fast travel can be done by air, undoubtedly with the roads as full partners in the flying business. And why not?

The age demands more speed than the railroads can offer. The investor is ever critical of operations that show little or no improvement year after year. He will be inclined to favor those roads that take their fast traffic from the rails and put it in the air where it belongs.

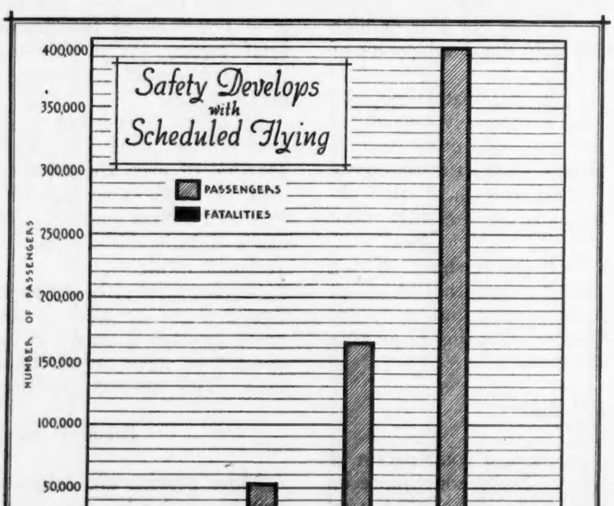
Parcel post did not kill the express companies. It opened up other channels of distribution and thus created new opportunities for business. That is precisely what the airplane is doing.

Trade competition is keener than ever before. Those who are out hustling for better markets are the chief patrons of air transport—sales managers, executives, men of large affairs, capitalists, bankers, industrialists, engineers and go-getters in a thousand lines.

They fly one or two thousand miles across country, put over a deal, attend meetings, secure an order, hop back and jump elsewhere, doing in a single week the work of a month if attempted with surface facilities. Time saved is money earned in any business, and today an airline is the shortest distance between two points. That is why most salesmen and other commercial travelers are now permitted expense accounts for the slightly higher airplane fares.

No less than 600 industrial and business firms have their own planes which are continually in the air on company matters. Very often they save both time and money on transportation. Oil companies fly their lawyers out to sign leases and transact other business. A dozen big concerns have planes for their salesmen; they find that flying pays. New markets are stimulated. Orders are procured by those who get around first with the season's samples. They are the modern early birds that catch the business worm. Fewer men are needed to cover a sales territory when flying lets one hurdle mountains, flooded valleys and impassable roads.

Fifty newspapers own planes with which they deliver papers, cover important events or fly out and back on emergency missions. More than 300 aerial hacking companies stand ready to fly anybody anywhere at any time, day or night. They stay in business—evidence of demand for the fast service which they alone provide. The number of persons taking some kind of a flight this year should equal more than 6 per cent of the population.



COURTESY, CARL BYOIR & ASSOCIATES

One of every five of the 550 aerial service operators does mapping and surveying by means of aerial photography. It is used in all the new construction work involving detailed surveys of surrounding country, advancing operations weeks and sometimes months and thereby relieving unemployment more quickly. Aerial photography, however, is only one of hundreds of uses found for flying machines.

Forty different species of crop pests are being

fought by dusting poison from the air, the cheapest and most effective method and one which will save all crops the country over when people generally learn to employ it. Timber tracts are surveyed, cattle are counted, farm crops estimated. Men, women and children fly on vacation trips to save time for rest and recreation.

Speed spells success or failure when things are needed from distant points. Plants close down and the men are laid off while waiting for spare parts, essential tools or raw materials. A large part of the 2,500 pounds of express flown daily is just that urgent, it is wanted in a hurry.

Air Mail Succeeds

Air mail has long been recognized as a big aid to modern business. It is now three times faster than a decade ago. A letter, air-mailed for 5 cents, though less than half an ounce, may be of weighty importance. It traverses the country in any direction within 30 hours and repeatedly develops business projects that might never have emerged past the thought stage.

Most of the million letters that are flown over our 30,000 miles of airways every 24 hours are of a business character. Banks save money using the air mail, sending checks for credit, drafts and notes for collection, advices of payment, securities for delivery against payment, bills of lading and shipping documents and urgent correspondence. Interest saved by reducing "float"—the non-interest bearing period while commercial paper is in transit—is an important item on the books of many banking houses in the larger cities.

Passenger Cabin in a Modern Transport Plane

The flying mail is a remarkable achievement, reflecting credit on the intelligence of Congress and the Postoffice Department which have fostered it. So important has it become to business that the Government recognizes it as a permanent institution which, like the merchant marine and rural free delivery, must be maintained at whatever cost.

The Government is spending more than 20 million dollars a year for air mail service—and it is worth it—this speeding up of business here and throughout 34 other countries in this hemisphere. Guided by a fixed policy of preparedness the Army and Navy this year will pay the aircraft people about 27 million dollars for equipment. The Department of Commerce will spend about 10 million dollars establishing and maintaining the airways for both day and night flying; and with the Weather Bureau and other Federal departments spending various sums on aviation, the United States Treasury will distribute about 70 million dollars in a year's time. That money, of course, will filter through the industry paying for labor and supplies, to seep again and again in and out of other industries; so much for the accumulative effect.

Incidentally, aircraft exports totaled 9 million dollars last year. Foreign demand for the American product is growing.

Nearly all the other industries smile on aviation because it provides an outlet for their raw materials and finished products. The electrical trades and accessory manufacturers report that the steady increase in business from the aircraft industry is the brightest spot in an otherwise opaque picture.

To accommodate the growing air traffic, more than 25 million dollars will be spent on air ports during the next 12 months. There is hardly a municipality where the officials are not convinced that flying must develop more rapidly from now on. They know that aviation is being taught in 500 public schools, that women are organizing flying clubs to rival those of their menfolk and that airplanes are becoming safer and less expensive. They are preparing not only for increased business on the trunk-line systems but they can see the day when the states must lay out between all towns, a system of airways comparable to their motor highways. New York, Pennsylvania, Michigan, Tennessee and Idaho already have embarked on varying programs in that direction.

Private flying promises one day to fill the sky with planes. When? Nobody knows. There are about 5,000 privately-owned machines in this country but only recently have sincere attempts been made to design aircraft that the average person might fly without too much expense and undue physical risk

The performance of the autogiro and the public interest in the possibility that this windmill type may develop into the popular machine of tomorrow has spurred the entire industry into action. The Merrill plane with movable wings making landings safe for the veriest novice is another approach toward ultimate safety in flight; and scores of other ideas are in the development stage.

No one doubts that reasonably safe flying for the private owner is coming soon. In that event quantity production may be counted upon to put these small craft in the low-priced car class, available to everybody. This will so expand the industry that its influence will be broadened as time goes on.

Simplification of controls, automatic steering devices and the perfection of sure navigational instruments are calculated to popularize private flying. At least 200 airplane and engine manufacturing companies and the majority of leaders in the allied industries—radio, telephone, electric, aluminum and textile, to mention only a few—are striving mightily and spending millions to improve all the things that enter into flying.

More inventive talent is available every year, represented by the graduates from 75 universities and colleges giving technical courses in aeronautics. Improved machines cannot fail to materialize. And business, the country generally, can use them.

(*Please turn to page* 124)

Things To Think

The Long Pull

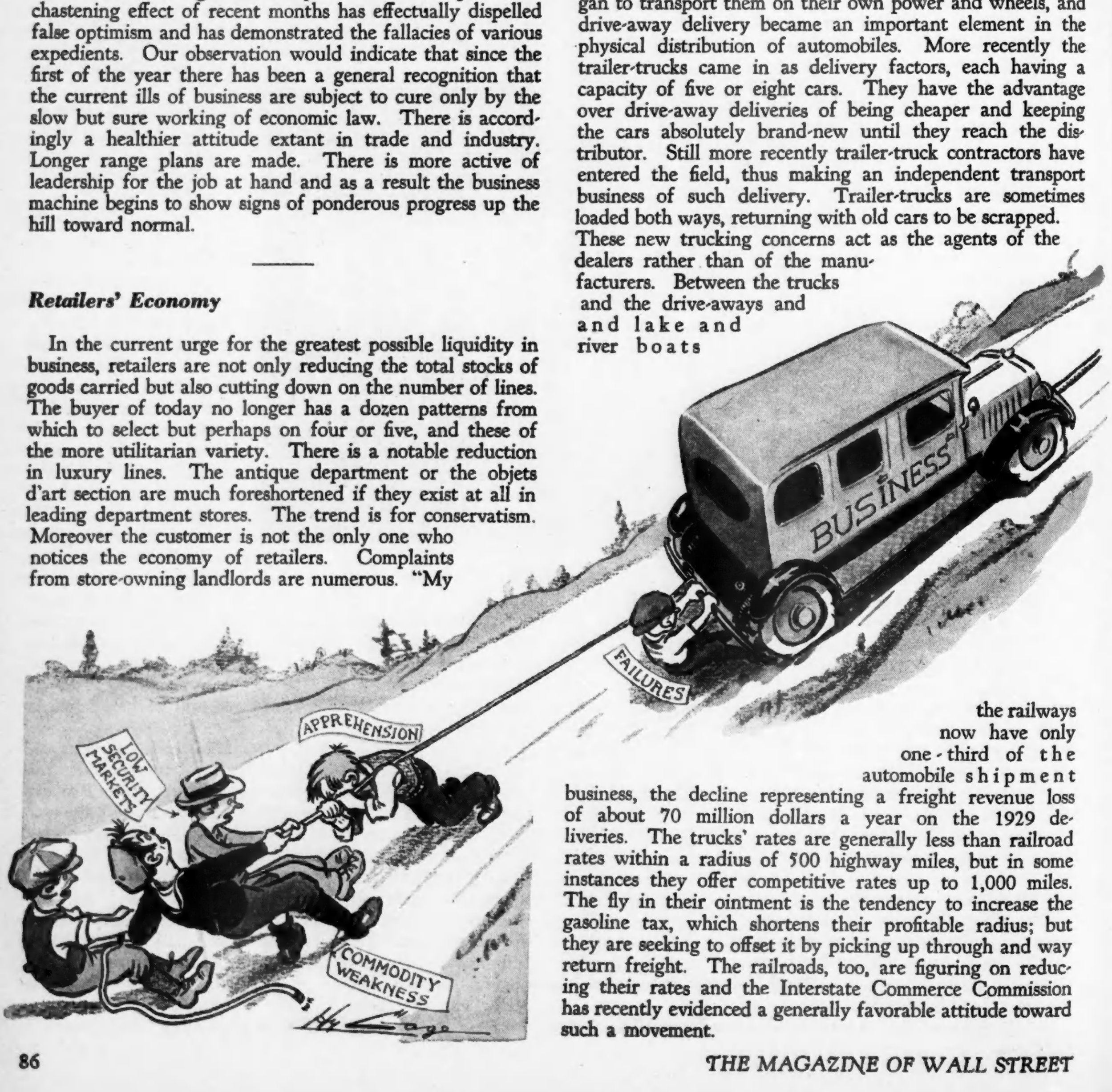
According to the charts of business which go back over several decades, there have been several depressions from which recovery was exceedingly rapid. The current slough into which the world has slipped, however, offers no such perpendicular avenue of escape. Indeed the very fact that nearly all of the civilized countries are common sufferers, itself makes the path of recovery that much slower. Apparently we lack the stimulus of great and immediate demand from any quarter, hence the long upward pull before normal is regained. But at least there are current signs that we are learning the technique of the united pull. The chastening effect of recent months has effectually dispelled false optimism and has demonstrated the fallacies of various expedients. Our observation would indicate that since the first of the year there has been a general recognition that the current ills of business are subject to cure only by the slow but sure working of economic law. There is accordingly a healthier attitude extant in trade and industry. Longer range plans are made. There is more active of leadership for the job at hand and as a result the business machine begins to show signs of ponderous progress up the hill toward normal.

Retailers' Economy

In the current urge for the greatest possible liquidity in business, retailers are not only reducing the total stocks of goods carried but also cutting down on the number of lines. The buyer of today no longer has a dozen patterns from which to select but perhaps on four or five, and these of the more utilitarian variety. There is a notable reduction in luxury lines. The antique department or the objets d'art section are much foreshortened if they exist at all in leading department stores. The trend is for conservatism. Moreover the customer is not the only one who notices the economy of retailers. Complaints from store-owning landlords are numerous. "My net is decreasing. I must cut down overhead. Reduce my rent or I move," says the store owner. And the landlord reasoning that half a loaf is better than none, does it. Store overhead is coming down—we hope it will be reflected in the net profits.

Autos Transport Autos

The railroads used to haul the new automobiles to the warehouses of dealers, thus getting some revenue out of the pestiferous rival carriers. Then the manufacturers began to transport them on their own power and wheels, and drive-away delivery became an important element in the physical distribution of automobiles. More recently the trailer-trucks came in as delivery factors, each having a capacity of five or eight cars. They have the advantage over drive-away deliveries of being cheaper and keeping the cars absolutely brand-new until they reach the distributor. Still more recently trailer-truck contractors have entered the field, thus making an independent transport business of such delivery. Trailer-trucks are sometimes loaded both ways, returning with old cars to be scrapped. These new trucking concerns act as the agents of the dealers rather than of the manufacturers. Between the trucks and the drive-aways and and lake and river boats the railways now have only one-third of the automobile shipment business, the decline representing a freight revenue loss of about 70 million dollars a year on the 1929 deliveries. The trucks' rates are generally less than railroad rates within a radius of 500 highway miles, but in some instances they offer competitive rates up to 1,000 miles. The fly in their ointment is the tendency to increase the gasoline tax, which shortens their profitable radius; but they are seeking to offset it by picking up through and way return freight. The railroads, too, are figuring on reducing their rates and the Interstate Commerce Commission has recently evidenced a generally favorable attitude toward such a movement.



About

Consider the Hen Example

There are some luminous spots in trade news. For instance, the American poultry industry scored an export record in 1930 and ran up its first favorable foreign trade balance since 1927. Which shows that there is always business at a price. If you put your trust in percentages marvel at the increase of 100,000 per cent in egg exports to Germany! Hens and their products in the United States were on a price level with those of other poultry exporting countries, and the American hen laid a composite golden egg for the country. Hen products were cheap for buyers as well as sellers. If cheap wheat were as quickly turnable into cheap bread as cheap chickens into cheap meat that troublesome world surplus would not last long. This is a cheap era and the quicker everything lines up on the cheap basis the quicker will business complete its readjustments and open the throttle for a plunge forward. We can't go forward half cheap and half dear.

Fish Menace Wheat

Scientists of a romantic turn of mind and a flair for prophecy have imagined a world a hundred years hence made up of cities, country resorts, game refuges, forests, wildernesses and farmless countryside—unless vast agricultural plants for producing industrial raw materials can be called farms. The food-producing farm of our times will be gone, they say, and all our nutriment will be derived from factory-made, synthetic foods. Cows will be in zoological parks only; so also with other food animals of this bloodily carnivorous age. In the meantime the mischievous scientists who, after all, are finally responsible for the commercial ills of a world that, thanks to their researches, no longer has a chance to establish a lazy habit or a comfortable routine, are forever trying to make some present material usurp the place of another. The wheat farmers, with wheat lower in price in Liverpool than it has been for 343 years, ought to be left alone, it would seem, with the flour market, but here come government chemists and propose fish flour made of pulverized fish tissue, while others are trying to delude trusting cows into accepting sawdust as "just as good" as bran. This fish flour, cunningly disguised, neither tastes nor smells of its piscatorial origin and "has it all over" wheat flour in the matter of mineral content; being surcharged with lime, iodine and copper, and is at once a food and a cure for several things that may be the matter with you, including goitre and rickets. It is proposed to mix about 15 per cent of fish flour with wheat flour in the making of cookies. This may be tough on the wheat farmers but it bristles with hints for the food products companies and may eventually have interesting repercussions in the stock market.

The Swiss Diagnosis

For a long time to come when two, three or more economists are gathered together the favorite sport will continue to be telling what caused the present business depression. Sitting more or less on political and economic sidelines, the neutral country of Switzerland is in a good position to observe and reflect, and the views of its economists are entitled to respect. As expressed by the National Bank of Switzerland the Swiss view is that the depression was caused by: (1) increased production; (2) progress of rationalization (industrial efficiency); (3) crash of security prices, beginning in America; (4) maintenance of certain retail prices at high levels by artificial means. The effects of these causes were aggravated by the fact that the crisis came at a time when economic conditions in a number of countries, especially England and Germany, were already serious, by the universally unfavorable situation of agriculture, by political disturbances in several countries, bank failures, boycott of foreign goods by India, reduced purchasing power of China as a result of civil war and the depreciation of silver, the enormous war debts, the revival of the reparations questions, and "last but not least by the tariff policy of the United States." As to the treatment of the economic depression, the bank is of the opinion that every curative effort undertaken by governments, international conferences and central banks has failed. The inference is that artificial means of controlling depressions are about as efficacious as those of savage medicine men against evil spirits. When a cyclone comes raging over a western prairie the inhabitants take to the cellars. The only way that has yet been devised to escape destruction by a business cyclone is for each business unit to dig in. Every man struggles to save himself. In the meantime business is suspended. When the storm is over we crawl out of our cellars, having done nothing to stop the storm. . . . But perhaps we may learn after awhile to do something about preventing the conditions in which business cyclones are born.

Interest Rates Lowest in Years with Prospects of Continuing So.

Banks Loaded with Unemployed Dollars, Yet Reluctant Bond Buyers.

Yet a Rising Bond Market Characteristically Leads the Way Out of Depression and the Question May Currently Be Asked:

Are Bonds Cheap?

By Laurence Stern

UNEMPLOYMENT at present is by no means confined to labor. Capital also is to a large extent out of a job, not because there is no work for it to do but because it is exceptionally "choosey" as to the job it will accept. Lacking confidence in the immediate outlook, it prefers the security that goes with idle repose in a bank deposit. Accordingly, our banks are bulging with unemployed dollars or dollars which work for a pittance in short term loans.

All precedent teaches that it is only a question of time before business recovery will set in and investment confidence return. A day will come, possibly not many months hence, when hoarded dollars will creep out of hiding, attracted by the prospect of profit and higher wages in the form of interest yield. Hundreds of millions will be applied to the purchase of bonds which now lack investment favor, although many of these securities fundamentally will be no better or safer then than now. Obviously, the dollars which are slowest in accepting employment in the bond market will get the least attractive terms. On the other hand, if caution be abandoned too soon, there is a risk of at least temporary capital depreciation and of a yield less attractive than could be obtained by waiting.

The Bond Buyer's Dilemma

In this situation we have the dilemma currently confronting the potential bond buyer. Thousands of such individuals, with ready cash in the banks, are intently studying the business skies, struggling to decide whether economic recovery and the revival of investment confidence are in early prospect, wondering whether they would fare better by attempting to anticipate the ultimate improvement or by awaiting more definite indications of its coming. They would like to know whether bonds are cheap or at least within a desirable buying range. The recent lethargy and moderate softness of most classes of bonds, with the exception of the highest grade legal issues, supplies definite proof that the commercial banks and the bond public are not yet convinced that caution should be substantially relaxed.

At the present writing, for example, a large customer of one of the leading Wall Street bond houses has $7,000,000 in his bank at 1 per cent interest. "Having my money where I know I can get it instantly and without any capital loss is more important to me right now than yield," he explained to a pursuasive security salesman. "I prefer to wait a while and see what happens."

This point of view is understandable but is not necessarily wise. Carried to its logical conclusion, it becomes absurd, for if everyone waited to "see what will happen" nothing would happen. Nor is there sound reason for the private investor to assume that he should ape the standoffish attitude of the banks toward all bonds with the exception of the prime issues of ready marketability and low yield. The banks are governed by special considerations which do not necessarily dictate the individual's investment policy.

Where Is Bottom?

It is obvious that all who are waiting for the ideal time to invest their funds cannot simultaneously guess the bottom quotations of bonds which, because of the general lack of confidence, are available now at reasonable or, in many instances, attractive yields. If all were correct in their estimate of the low point and in the timing of the subsequent advance, there would be no orderly improvement but, instead, a sudden, wide jump in values. Yet it would be ridiculous to expect any such outcome. The long-awaited and often predicted major advance in bonds, with demand filtering down from gilt-edged issues to lower and lower strata of securities, probably will be a gradual process. A minority of buyers will guess the ideal buying level but it seems likely that the average investor will save both money and worry by concerning himself solely with the problem of a basically satisfactory buying range.

It is a problem not to be solved by generalities. To say that "bonds are cheap" is almost as meaningless as to assert that stocks are cheap. Careful discrimination in the purchase of securities is always essential to the investor and was never more necessary than in the present period of basic readjustment. The "bond market" is a market of many different securities and now, as always, reflects wide variations of price trend as between individual issues and between different groups. Foreign bonds, for example, are bogged down rather generally under a cloud of investment distrust. Many corporate bonds, notably second grade rails, are reflecting the drastic decline in business earnings. Utility bonds, on the other hand, are supported by a relatively favorable base of earning power. This very pattern of irregularity should be enough to suggest to the investor that no amount of caution is too great in the matter of selection.

Granted the proper selection of a sound bond, the proper

time at which to buy is a wholly different problem and the one with which this article is primarily concerned. The strongest demand at present is concentrated upon issues which as a class do not meet the needs of the average individual. The competition of institutional funds seeking absolutely safe and liquid employment has established the prime bonds at price levels which restrict the yield to a figure which can be matched or bettered in a savings bank and which distinctly limits the range of possible capital appreciation.

The Select Class

There are many bonds, however, which currently yield 5 per cent or more and which appear to be adequately secured. It is this portion of the list that is probably of greatest interest to the majority of the bond public. In normal times such bonds are freely bought by the commercial banks in a search for both higher yield on the funds under their supervision and for capital gain. Indeed, substantial changes of trend in such bonds almost invariably are dictated largely by banking policy. For this reason many persons feel that if the banks are unwilling to commit themselves to anything less than gilt-edged bonds that alone is sufficient reason to stick to the sidelines.

This is a bearish argument which should be examined with care. It is estimated that the member banks of the Federal Reserve System could increase their bond investments by $2,000,000,000 and still remain satisfactorily liquid. There are various reasons why they do not do so. Some are deterred by the fear of capital losses, bearing in mind that bonds sometimes are affected by acute weakness in the stock market. Nor have they forgotten the experience of last autumn when many banks hurriedly liquidated bonds to prepare for possible deposit runs. A repetition of this experience would seem to be a most remote contingency, yet in their very nature banks have to go much beyond the limits usually applied by the individual in allowing for contingencies.

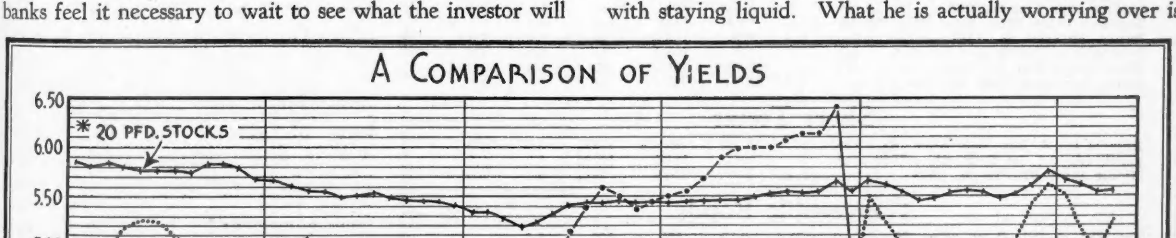
The factor of greatest importance to the banks, however, is that the bulk of the idle capital in their keeping represents demand deposits. Not only this, but it is an abnormal accumulation. It is not only subject to withdrawal at any time but the prospect is that withdrawals probably will be rapid as soon as business recovery begins and investment confidence returns. In effect then, the investor is waiting to see what the banks will do and the banks feel it necessary to wait to see what the investor will do. Yet it is the investor who logically should take the initiative, since the bulk of the money available for bond purchases belongs to him and since he is by no means under the same compulsion to keep it liquid as are the banks.

Under these circumstances it is quite possible that the concentration of demand upon a restricted group of bonds and the consequent neglect of other bonds of adequate security opens up a long-term opportunity among the latter to which the private investor should give serious study. If elements of doubt were entirely missing prices would be much above current levels. The problem for the investor is to determine whether in the particular bond he desires all reasonable uncertainty has been discounted in price. It remains to be seen whether the unique experiment of the Federal Reserve Board in establishing a 1½ per cent rediscount rate at the Federal Reserve Bank of New York will to any substantial degree force banks to invest more heavily in bonds. Repeated reductions in short term rates have cut into bank earnings but have not importantly altered banking policy toward bonds. The banks merely respond to lower short term rates by cutting the interest they pay upon deposits. Last December, following reduction of the rediscount rate to 2 per cent, Clearing House banks in New York City cut interest upon checking accounts from 1½ to 1 per cent. Further action along this line is possible, even to the elimination of interest payments upon demand deposits, and is a more likely prospect than that the banks will seek increased earning power through expanded bond investments at the expense of liquidity.

Commodity Decline Favors Bonds

One factor which many investors overlook and which has greatly increased the attractiveness of bond investment is that the substantial decline in the cost of living has correspondingly increased the effective yield of bonds. This improvement in the buying power of bond interest at present promises to be carried somewhat further.

It is the consensus of financial opinion that a major advance in sound bonds will prove either the prelude or accompaniment of business revival. From the long range point of view this appears to loom as the largest certainty in the bond picture. What remains uncertain is whether in the meanwhile the recent moderate reaction will be carried further. It is to be doubted that the average investor, as he confronts this uncertainty, is primarily concerned with staying liquid. What he is actually worrying over is



Bond Buyers' Guide

NOTE.—The following list of bonds has been arranged solely on the basis of current yields to maturity. The position of any issue is not intended as an indication of its relative investment merit. Readers should observe a proper diversification of commitments in making their selections from this list. The Guide is subject to revision as more favorable issues appear and those no longer suitable, in our opinion, for new purchases, are dropped. Any queries concerning such changes should be directed to our Personal Service Department.

Railroads

	Prior Liens (Millions)	Interest Times Earned*	Call Price	Recent Price	Current Income	Yield to Maturity
Atchison, Top. & S. Fe Conv. 4s, 1955..	273.3	3.77	110	95	4.2	4.3
New York Central Deb. 6s, 1935........	630.2	1.54	110	106	5.7	4.3
Rock Island-Frisco Terminal 1st 4½s, 1957 ....(d)	....	X	102½T	98	4.6	4.6
Great Northern Gen. A 7s, 1936......(b)	139.8	1.98	....	111	6.3	4.7
Pennsylvania 5s, 1964	....	1.81	102T	104	4.8	4.8
Central Pacific Guar. 5s, 1960........(a)	....	1.91	105 ('35) T	104	4.8	4.8
Chic. & W. Indiana 1st Ref. 5½s, 1962..	49.9	X	105	105	5.2	5.2
Nor'n Pacific Ref. & Impr. 6s, 2047.(a)	165.6	2.12	110 ('36)	111	5.4	5.4
Carolina, Clinchfield & Ohio 1st & Cons. 6s, 1952 ....(b)	14.2	X	107½T	108	5.6	5.4
Balt. & Ohio Ref. & Gen. 6s, 1995....(a)	285.3	1.64	107½A ('34)	108	5.6	5.6
Southern Railway Dev. & Gen. 6s, 1956.	133.8	1.51	....	105	5.7	5.6
Illinois Central 4¾s, 1966............	....	1.50	102½ ('36)T	83	5.7	5.9
N. Y., Chic. & St. L. Ref. 5½s, 1974.(a)	58.8	1.60	105	94	5.9	5.9
Wabash Ref. & Gen. 5½s, 1975.....(a)	61.6	1.52	105A ('35)	94	5.9	5.9
Missouri Pacific 1st & Ref. 5s, 1977.(a)	94.6	1.35	105A	84	5.9	6.0
Central of Georgia Ref. 5½s, 1959......	30.9	1.39	105A ('34)	91	6.0	6.2

Public Utilities

Pacific Gas & Elec. Gen. Ref. 5s, 1942..	29.0	2.67	105T	105	4.8	4.4
Utah Power & Light 1st 5s, 1944.......	....	2.83†	105	103	4.9	4.7
Consol. Gas of N. Y. Deb. 5½s, 1945.(a)	191.1	5.51	106T	107	5.1	4.8
Montana Power Deb. 5s, 1962........(a)	33.3	3.14†	105T	101	4.9	4.9
Indiana Natural Gas & Oil Ref. 5s, 1936	....	2.87†	....	100	5.0	5.0
Columbia Gas & Elec. Deb. 5s, 1952....	....	3.27	105T	100	5.0	5.0
Arkansas Power & Lt. 1st & Ref. 5s, 1956 ....(c)	2.0	2.26	105	100	5.0	5.0
Hudson & Manh'n 1st Ref. 5s, 1957..(b)	5.9	1.53	105	99	5.1	5.1
Northern Ohio Tr. & Lt. Gen'l & Ref. 6s, 1947, "A" ....(a)	8.4	2.20†	110	107	5.6	5.3
New Orleans P. S. 1st & Ref. A 5s, 1952 ....(a)	9.7	1.32†	104	93	5.4	5.6
Amer. W. Wks. & El. Deb. 6s, 1975.(a)	12.7	1.42	110	105	5.7	5.6
United Lt. & Rys. 1st Cons. A 6s, 1952 ....(b)	11.3	1.46	(N)	104	5.8	5.7
Standard Gas & Elec. 6s, 1935..........	432.2	1.42	108	101	5.9	5.7
Standard Gas & Elec. 6s, 1966......(b)	432.2	1.42	105T	100	6.0	6.0
Cities Service Pr. & Lt. Deb. 5½s, 1952	104.4	1.55	105	79	7.0	7.5

Industrials

Midvale Steel & Ord. Conv. Coll. 5s, 1936 ....(a)	....	4.34	105	103	4.8	4.4
Allis Chalmers Deb. 5s, 1937........(a)	....	5.39	103T	101	4.9	4.8
Gulf Oil Deb. 5s, 1947..............(c)	....	2.99	104AT	101	4.9	4.9
Youngstown Sh. & Tube 1st 5s, 1978.(a)	....	2.93	105T	100	5.0	5.0
Sinclair Pipe Line 5s, 1942...........(a)	....	6.33†	103	100	5.0	5.0
National Dairy Prod. Deb. 5¼s, '48.(a)	....	7.62	105T	102	5.1	5.1
Purity Bakeries 5s, 1948...............	0.6	7.74	103½	94	5.4	5.5
International Match Deb. 5s, 1947....(a)	....	5.67	109H	92	5.4	5.7
Chile Copper Deb. 5s, 1947...........(a)	....	10.20†	102T	90	5.6	6.0
Amer. Cyanamid Deb. 5s, 1942.........	0.3	11.73	100	91	5.5	6.1

Short Terms

Humble Oil & Ref. Deb. 5½s, '32...(b)	....	13.59†	102½A	102¼	5.4	3.9
Smith (A. O.) 1st S. F. 6½s, 1933..(a)	....	22.76	101T	102⅞	6.3	5.0
Middle West Utilities 5s, 1933..........	331.6	1.39†	101½	98¼	5.1	5.9

Convertible Bonds

Am. Tel. & Tel. Conv. 4½s, '39....Com.@175.4		6.10	105	129	3.5	..
Atch., Top. & S. F. Deb. 4½s, '48..Com.@166.6		3.77	102	115	3.9	3.4
N. Y., N. H. & Hart. 6s, '48.......Com.@100		1.92	....	115	5.2	4.7
Baltimore & Ohio Conv. 4½s, '60....Com.@120(h)		1.64	105	92	4.9	5.0
Chesapeake Corp. Col. Tr. 5s, '47....C. & O.@106		2.93	100	100	5.0	5.0
Texas Corp. 5s, 1944..................Com.@70		3.24	102T	94	5.3	5.6
Chic., Rock Island & Pac. 4½s, 1960		1.58	105 ('36)T	82	5.5	5.8
Inter'l Tel. & Tel. Deb. 4½s, '39....Com.@63.9		2.27	102½	89	5.1	6.2
Amer. Inter'l Corp. Deb. 5½s, '49...Com.@80		1.41	105	90	6.1	6.4
Assoc. Gas & El. Conv. 4½s, '49 (K)		1.60	103T	71	6.3	7.5
Utilities Pwr. & Lt. 5s, '59, w.w. (L)		1.61	105T	67	7.5	7.9

All Bonds are in $1,000 denominations only, except (a) lowest denomination $500, (b) $100. * On total funded debt.

A—Callable as a whole only. T—Callable at gradually lower prices. X—Guaranteed by proprietary companies. (c) Listed on New York Curb. (d) Available over-the-counter. (h) Convertible after February 1, 1931. (K) Convert. into 17½ shares of Class "A" stock. (L) Rights to purchase 7 shs. Class "A," 3½ shs. "B" (v. t. c.), and 3½ shs. Common to 2-2-34 @ $577.50 for the unit. (N) Not callable until 1948. † On basis of 1929 earnings.

whether now, next month or later will be the most advantageous time to buy.

As with the majority of human problems, there appears to be no ideal way out of this dilemma. The most acceptable way is to fall back upon the principle of compromise. Some bond experts are advising purchases on a scale-down basis and under existing circumstances this would seem to be a sensible course. If an individual with $25,000 to invest, for example, will put $5,000 into bonds at present he will lose no sleep in the event that further recession enables him to add to his holdings at additional concession. This method of averaging is not only a protection for capital but for the nerves. Using it, one loses most of that inevitable fear of buying at the wrong time.

On a Scale-Down

While it is not possible, then, to assert that this is the right time to buy bonds on a wholesale scale and with the entire portion of funds set aside for fixed income securities, it unquestionably can be said that this is the right time to begin the gradual accumulation of some bonds. Such a policy for most persons will result in a more favorable average price than can be had either by trying to guess bottom or by waiting for a convincing upturn. In the latter event excessive caution also will cost the buyer something in loss of interest while waiting.

Generally speaking, purchases should be confined to first mortgage bonds of sound corporations in major industries. As a general rule any yield above 6 per cent should be regarded as demanding at least skeptical investigation. The advance undoubtedly will begin in the upper brackets of the market. United States Government obligations at present are around the year's best prices. The combination of slight further improvement in such securities and a return of general confidence would quickly divert demand from the low yields here available into bonds of larger yield. In the past this investment movement has gradually extended downward to second and third grade bonds, to preferred stocks and, finally, to common stocks. It is to be expected that a similar sequence will occur in the present situation. This does not mean, however, that the bond movement will be ended when investment demand is importantly extended to common stocks. Contrary to popular assumption, bonds and stocks often move together for extended periods. Past records suggest that the next bond advance might last a year or more.

RAILROADS

Who Runs the Railroads?

Personalities Who Guide the Destinies of Leading Roads and Represent the Interests of Thousands of Stockholders—as Told by One Who Knows Them

By Pierce H. Fulton

"WHO Runs the Railroads?" With greatly reduced earnings since October, 1929, with dividend cuts and omissions becoming general, and with more to follow, this is the vital question to which owners of railroad securities, particularly stocks, want an answer right now.

During the current period of business depression for this country, the world in general, and their properties in particular, they have heard and read much about "Who Owns the Railroads?" and "What's the Matter with the Railroads?" but little has been said about "Who Runs the Railroads?"

No less an authority than James S. Parker, chairman of the Committee on Interstate and Foreign Commerce of the House of Representatives, in an exhaustive study to find the answer to the first of these three questions, stated unequivocally in his excellent report of over 1,700 pages that it was "The Public," about 800,000 of them, and not bankers, insurance companies, foundations or investment trusts.

It has been clearly demonstrated in reply to the second question that the physical properties of the railroads had been raised to and maintained at a high standard and that, until recently in the case of some of the weaker roads, their financial condition never was stronger. Their chief difficulties are not a lack of facilities but a lack of traffic and earnings, an over-plus of regulation by State and Federal authorities, and unregulated and unfair competition, chiefly from the motor bus and truck and inland waterways.

A New Type of Executive

Admittedly these are grave problems and it is desirable to know something of the type of men most intimately concerned with their solution. Are the properties of these 800,000 stockholders in the hands of men best fitted to pull them through the present difficult times? Such information will not be found in biographical sketches, but comes from close personal contact with them, almost daily in some instances, intimate and confidential discussions regarding their plans, their successes, their failures—in short, what they are trying to do for their stockholders, to whom they are responsible as virtual trustees, although actually elected by the directors.

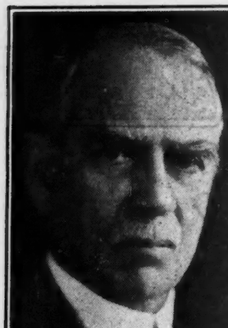
Before sketching the picture of any of these men individually, it should be stated that the type of leading executives today differs widely from that of 25 years or more ago. Then, railroad presidents, and chairmen — the number of the latter was comparatively small — not infrequently started as messenger boys, water boys, telegraph operators and freight brakemen. They were more of the rough and ready type, as they grew up and were promoted to increasingly important positions. Now many railway presidents, chairmen, vice-presidents and even officers lower down the scale in matter of rank, are college graduates with some years of experience as successful lawyers or civil engineers, before assuming their present duties.

Salesman and Diplomat

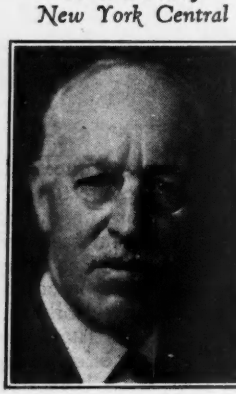
Some years ago, when railroad problems were fewer and much less complicated and difficult than they have been in recent years, the duties of the president of a strong, well-organized and managed railroad were comparatively simple. They were chiefly of a general supervisory character. At that earlier period the duties of chairman of the board were still simpler and less arduous. There were two kinds of chairmanships, one created virtually as a pension position for a president who was growing old in the service, and in whose place the directors wished to put a younger man. That kind of a chairman generally had charge of the financial office in New York City, but was not given much authority with respect to the actual running of the railroads. He was mostly sort of a liaison officer between the president and the directors. Roswell Miller, chairman of the St. Paul Railway over 30 years ago, was strikingly that kind of a chairman of the board.

The other kind of chairmanship is occupied by a man with real authority, who even ranks ahead of the president, dictates the broad policies of the company and sees that they are carried out. Howard Elliott, when he left the New Haven and returned to the Northern Pacific, was the latter kind of chairman, to a notable degree.

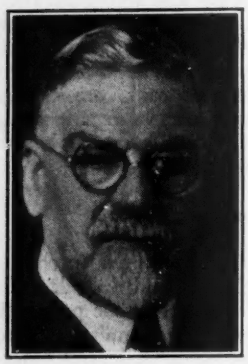
In the last five to ten years, the duties of railroad presi-



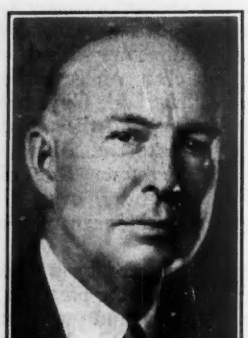
P. E. Crowley
New York Central



W. W. Atterbury
Pennsylvania



W. B. Storey
Atchison



Hale Holden
Southern Pacific

dents have been particularly arduous and baffling. These men have had many new and exceedingly troublesome problems with which to contend. While every railroad has a well-managed department for soliciting traffic, the president often has had to go after business, particularly that taken away by the motor bus, truck and water routes, as well as by other steam railroads.

If the company has neither a chairman of the board nor of the executive committee, the president has had to make frequent trips to Washington to appear before the Interstate Commerce Commission and to numerous State capitals to attend hearings before the commissions of those commonwealths having supervisory and regulatory authority over the railroads operating within their limits. They have had to come to New York at least once a month on the average for directors' meetings.

Do you know that the presidents of some of the largest western railroads make many round trips between San Francisco, Chicago, and New York every year, travelling officially from 75,000 to 100,000 miles each? These men get from $40,000 to $100,000 a year. Make no mistake, they are earning every cent of it, as salaries of presidents of large business organizations go today. There was a time when some of them did not earn their full salary.

Patrick E. Crowley

In giving a rapid-fire but intimate picture of a few of the prominent executives of our railroads, let us begin in the East. P. E. Crowley, president of the New York Central, is one of the few well-known presidents still in active service, who came up through the ranks of the operating department from the humblest beginning.

By the way, East is still East and West still West to many of the big railroad presidents. It is a striking fact that not a few of them have had their railroad career, largely or wholly in the East, if they were born in that section, and in the West if that is where they first saw the light of day and began railway service.

Mr. Crowley, born in New York State, began as messenger boy, then became telegraph operator, station agent and train dispatcher with the Erie. His long service with New York Central started where it left off with the Erie. Thousands of railway employees have begun as messenger or telegraph operators, but very few of them have become presidents. A boy who begins his railway service in one of those humble positions and reaches the presidency, does so because of merit and not because of influence or "pull," as it is familiarly called. A man who can go from the bottom to the top of a great railway organization and hold his job at the latter extreme these days is worth the money the directors may vote to pay him.

There could be no greater contrast between two men in the same organization than between Mr. Crowley and his predecessor, the late A. H. Smith. The latter was rough and brusque of manner, dictatorial in the extreme. When he was in the executive building of the New York Central in this city an elevator always was kept waiting at the floor on which his office was located. When Mr. Smith was expected at the building an elevator always was held at the ground floor until he came. And when he was in the elevator, going up or down, no subordinate officer or employee felt free to enter it unless invited by his chief.

There are no elevators waiting for Mr. Crowley in the New York Central Building. He rides in them as they run on regular trips, everyone, officer or employee, is free to ride with him so long as there is room in the car. Many a time people outside of the organization of that great system go up and down between the ground floor and the 32nd and have no idea that they are riding with the president of one of the largest and most important systems in the whole United States.

A. H. Smith was a driver and got things done, both inside and outside of the New York Central ranks, largely because of his aggressiveness. Mr. Crowley is as mild and gentle as his predecessor was rough and brusque. But with Mr. Crowley's invariably pleasant smile there always has been a notable degree of kindness, tact and even firmness, that has enabled him to get things done also and to carry him from messenger boy to president. He is conservative, but aggressive in his own way, has no o'er-towering ambition,—a thoroughly safe man.

Mr. Crowley will be 67 years old next August. For a year or so there have been frequent rumors that he would resign soon and become chairman of the board. Those who know him best told the writer only a short time ago that he does not contemplate taking such a step. When he does give up the presidency they believe he will leave the organization altogether and retire to a quiet life with his family in Mt. Vernon, N. Y.

General Atterbury

No two men at the head of two great rival organizations could be more strikingly different in personality and methods than Gen. W. W. Atterbury, president of Pennsylvania, and Mr. Crowley. No two men in that position could have been much more alike than the General and A. H. Smith. It would have been interesting in the extreme to have seen what would have happened if Mr. Smith had lived and he had led New York Central in competition for traffic and consolidation matters, as General Atterbury has done for Pennsylvania.

The latter did not graduate from the proverbial "School of Hard Knocks," as did his chief competitor, Mr. Crowley, but from Yale. Born in Indiana, he began his railway service as an apprentice in the Altoona shops of the Pennsylvania. Rising steadily through the engineering and operating departments, General Atterbury reached the presidency in 29 years. His title of "General" was con-

ferred as the result of service as Director of Construction and Operation of United States Military Railroads in France during the World War.

He is as aggressive as Mr. Crowley is mild. General Atterbury is distinctly ambitious for himself and likewise his railroad. His competitor has no desire for New York Central except to keep it as a first-class railroad, largely as it is. General Atterbury's ambition for Pennsylvania has led him to buy heavily into the shares of many other railroads. Some of the purchases apparently were made with a view, not only to strengthening Pennsylvania's position, but also to still further increasing its hold on traffic in Eastern Territory, which already is greater than that of any competitor.

Much of the buying must have been made with rather definite consolidation plans in mind. Other purchases were made, it is assumed in railroad circles, to secure trading pawns in possible merger negotiations. Directly and indirectly, by and for Pennsylvania, these purchases have included large blocks of New Haven, Boston & Maine, Lehigh Valley, Wabash, Seaboard Air Line, Pittsburgh & West Virginia and all the stock of Detroit, Toledo & Ironton.

Since October, 1929, there has been a shrinkage of many millions of dollars in the market value of these shares, a tremendous paper loss in the aggregate in comparison with the purchase prices. Quite possibly General Atterbury wonders at times whether he acted wisely in embarking on such an extensive buying program, particularly as it is not certain whether the Interstate Commerce Commission will permit him to hold some of them.

New York Central, on the other hand, stands about where it has in recent years with respect to the ownership of stock in other roads. It even has less in some instances than it did about the time General Atterbury started out to buy. New York Central earned 7.21% a share on its stock in 1930, Pennsylvania 10.56%. New York Central reduced its dividend from 2 to 1½% for the first quarter of this year. Pennsylvania has declared the regular dividend of 2% for each of the first two quarters.

W. B. Storey

Moving westward and taking up a few of the prominent railway presidents, the name of W. B. Storey naturally comes to mind at once. Atchison's chief executive is well along in his 74th year, but looks and acts no more than 55 to 60. The successor of E. P. Ripley, one of the outstanding railway presidents 25 years and more ago, Mr. Storey began his railroad career in the engineering department of Southern Pacific, Atchison's only competitor between El Paso and San Francisco. Practically his entire railroad service has been with those two systems.

Of sterling character, modest, cordial, but with the dignity of "a gentleman of the old school," Mr. Storey has determined the personnel of the entire Atchison organization. There are no pretentious executive offices. The president, vice-president and western directors travel to New York regularly each month for the directors' meeting in regular Pullman cars and not in official private cars. No one brings a secretary, not even a simple portfolio for papers. As soon as the meeting is over back they all go to their respective posts.

Mr. Storey has no desire to absorb a large number of other roads but he rather wishes to develop the Atchison as it is by buying or building a small road occasionally, believed to be necessary to develop new territory and strengthen the position of the company therein.

What are some of the results of these policies? In 1929 $23 a share earned for the common stock, last year, in spite of a tremendous slump in railroad earnings generally, $12.86 a share against the $10 dividend paid. At the end of last year, a treasury containing over $50,000,000 in cash and government securities, and a corporate surplus well in excess of the entire share capital outstanding. So far the regular common dividend has been maintained.

Hale Holden

Hale Holden, chairman of the executive committee of Southern Pacific, with a salary reported to be $150,000 a year, is set down as the highest paid railway executive in the United States. Like Mr. Storey, he has served only two large railroad systems, Burlington and Southern Pacific. Born in Kansas City, he graduated from Williams College and practiced law successfully in the West before becoming identified with the legal department of Burlington. During Government control of the railroads he served as director of the Central Western Region, and is also the author of a plan presented to the Interstate Commerce Commission for consolidating all the railroads west of the Mississippi River.

But it is for the outstanding performance of his regular duties as president of Burlington, and now as chairman of the executive committee of Southern Pacific that Mr. Holden is best known officially. In the latter position, one of his chief duties has been to keep operating expenses as nearly as possible in proportion to the greatly reduced gross earnings. In 1930, he effected a saving in the former item of $35,601,811 compared with a decrease in gross of $52,211,010. He was able to show over $8 a share for the stock, or more than $2 above the dividend paid.

Perhaps there is no prominent railway executive who approaches the big and troublesome problems with which the railroads are confronted, with a greater breadth of vision than Mr. Holden. That is really his big job with the Southern Pacific—to study those problems and to decide what his company should do under the circumstances. Mr. Holden stands particularly high at Washington.

There is a triumverate of men at the head respectively of the three arms of what is virtually a great railroad system. As a matter

(*Please turn to page* 120)

Charles Donnelly
Northern Pacific

Ralph Budd
Great Northern

F. E. Williamson
Burlington

Fred W. Sargent
Chic. & No. Western

PUBLIC UTILITIES

AMERICAN LIGHT & TRACTION CO.

An Opportunity in a Utility Holding and Investment Company

Common Stock a Strong Equity in Conservatively Managed Utility Enterprise

By FRANCIS C. FULLERTON

IN the common stock of the American Light & Traction Co. there is afforded equity in a growing utility system which at current price levels yields an income of slightly more than 6%. Practically no other utility common stock of similar caliber, showing the same established earning power or margin of earnings to cover dividend requirements, will even at present deflated levels of stock prices return a yield as attractive as this.

The reason why the stock is selling on this advantageous basis probably is that the company is not as well known to the average investor as most of the other utility systems of comparable size. The stock is a so-called minority stock, moreover, because the majority of the common outstanding (about 55%) is controlled by the United Light & Power Co. and the common of American Light & Traction is therefore not very active marketwise. Although the earnings of the American Light & Traction system are incorporated with the consolidated earnings report of United Light & Power, the former itself is one of the large utility systems in this country.

Another reason why investors have neglected American Light & Traction is because the name has to no small extent misled them. Names are not always accurately descriptive of their possessors and this is especially true of American Light & Traction because the company is chiefly a gas and electric utility system with only a negligible amount of railway or traction business—less than 4½%. The gas and electric divisions of the public utility business are the dynamic ones and those which have shown the greatest expansion and growth in the past decade, while traction operations generally speaking have become increasingly unprofitable.

Large Cities Served

American Light & Traction Co. is a holding company owning all, or nearly all, of the common stocks of its operating subsidiaries. These latter supply gas service in Detroit, Ann Arbor, Muskegon, and Grand Rapids, all located in Michigan; Milwaukee, and Madison, in Wisconsin, and San Antonio in Texas. Electric service is rendered in Madison and San Antonio, and in this latter city the street railway and ice service are also provided.

Gas is by far the most important service rendered, accounting for 69.4% of the total gross operating revenues in 1930. Electricity is next in importance with 13.8% of the gross; the sale of coke and by-products derived from the manufacture of artificial gas contributed 11.6%; railway 4.2%; and miscellaneous services, merchandise and appliance sales the remaining 1%. Gas service is provided in 86 communities all told with a population of 3,173,000, and electric service to 43 communities with population of 366,000.

Total sales of gas in 1930 were 39,640 millions of cubic feet, of which about 88% comprised manufactured gas and the other 12% natural gas. The growing seriousness of the industrial and business depression during the year affected sales of gas moderately and these were down about 5.8% from the year 1929 when total amount sold was 42,084 millions

Three Years with American Light & Traction

	1928	1929	1930
Gas Sales	$31,769,947	$33,418,274	$31,611,725
Electric Sales	4,964,152	5,731,007	6,236,344
Coke and By-Products	2,557,484(1)	6,301,252	5,282,447
Railway	2,408,968	2,337,395	1,985,861
Miscellaneous	840,749	718,968	441,408
	$42,571,295*	$48,506,896*	$45,557,785*
Gas Service—			
Communities			86
Population			3,173,000
Electric Service—			
Communities			43
Population			366,000

* Figures are before Inter-company elimination.
(1) For six months ended Dec. 31, 1928.

of cubic feet. The decrease came almost entirely in the industrial division where sales were 26.6% lower than in 1929. Industrial sales, however, comprise only about 14% of the total gas sold by the system.

Residential sales, accounting for over 68% of the total, showed a decrease of less than 1% from 1929, while sales for househeating purposes, although still only a small part of the total (about 2.6%) actually gained 11.7% over 1929. Sales of gas for commercial purposes comprise about 15.3% of the total market and this decreased moderately—some 6.1% from 1929.

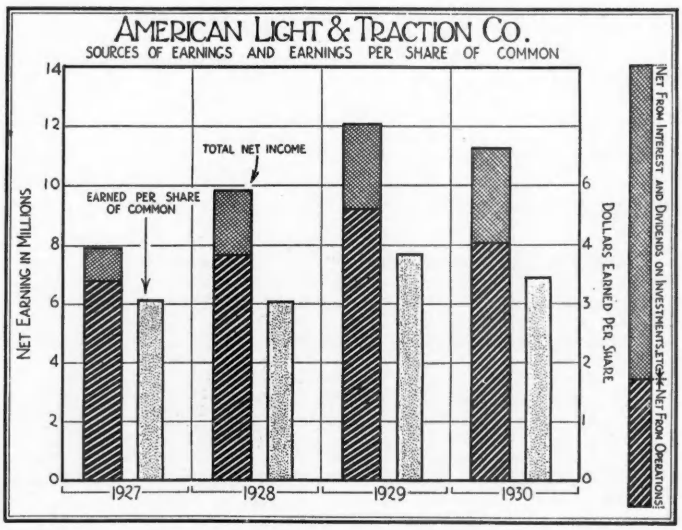
The major part of the system's electric business is at San Antonio, Texas, and in territory adjacent thereto. While this city did not escape the effects of the depression, the diversified demand for current in this area mitigated the adverse effects. Total electric sales increased 2.4% over 1929. Residential sales alone increased 15¼% during the year.

Flexibility of operations was one of the features brought out in last year's operating results. A decline in gross earnings was quickly adjusted by economies in various directions. Raw materials were purchased at lower costs and labor efficiencies improved. In Detroit, for instance, where the most serious conditions existed, overhead was curtailed by closing down two stations and concentrating all manufacturing activities at two plants. Large savings were made in payrolls to fit the necessities of operations, but this was not done by a general reduction in labor rates nor by a general lay-off of employees, but by the adjustment of working hours to a shorter time scale, thus spreading the reduction in working time throughout the organization.

Gross revenues from subsidiary operating companies in 1930 were $44,042,452, a decrease of $2,642,356 from 1929 but to meet this decline operating expenses were cut $1,347,088 and amounted to $20,750,994. Maintenance on the properties was kept up to the usual standard and $2,916,257 was spent for this purpose. The amount set aside for retirement of general plant (depreciation) was increased $559,808 over 1929 to $3,488,718. Maintenance and depreciation together were equivalent to 14.54% of the total gross revenues, a liberal amount in utility practice. After all prior charges there remained for the parent company a balance of $8,001,557 as against $9,121,922 in 1929.

Large Investment Holdings

American Light & Traction is more than a public utility holding company system—it is also an investment company with extensive minority holdings in other public utility companies, chiefly equities. The high proportion of these investments to the plant investment may be seen by comparing the December 31, 1931, book value of $62,873,275 of the investments with the book value of the system's properties, franchises, organization, etc., of $170,035,109. Investments at book value at the end of 1928 were $50,897,491.



The company has a considerable investment in the shares of Detroit Edison Co., a well managed electric undertaking supplying all the Detroit area in which American Light operates and somewhat beyond. This stock had been acquired over a period of years and in 1930 an additional substantial block was purchased. The faith of the management in the Detroit area is thus expressed. This area, indeed, bids fair to become one of the country's greatest industrial centers, although at present the motor industry is still by far the chief one there. Eventual greater industrial diversification will aid the operations of the utility companies greatly.

Income from investments is steadily going up and now amounts to about 29% of the total net earnings accruing to the parent company. In 1930 income from investments totaled $3,210,181 which compares with $2,963,861 in 1929 and only $1,182,975 in 1927. If figured on a per share basis on the common stock of American Light outstanding, the earnings from investments above are equivalent after allowance for proportionate amount of parent company expense and preferred dividend to $0.98 per share while income from operations amounts to $2.46 per share. The book value of the company's investments, which even at current depressed stock prices is probably below market value, is equivalent to about $22½ per share on the common stock of American Light.

Compared with the average of public utility common stocks, American Light common occupies an exceptionally strong position. A large part of the system's total capitalization consists of the parent company common stock and therefore the equity in the earnings is proportionately large. The total capital and funded debt of the system at par value December 31, 1930, was $174,506,639 of which the common stock alone constituted $69,182,075 or about 40%. If instead of taking the par value of the common the present market value is substituted, then the common stock comprises 53% of the total capitalization. In most other utility companies, the common represents a much smaller proportion of the total capitalization; in some as low as 10% and even as low as 5%.

Capitalization of the parent company is very simple consisting of 2,767,283 shares of $25 par value common stock and a small amount, only 539,240 shares, of $25 par value of 6% cumulative preferred stock. The common stock has recently been selling on the New York Curb Exchange for about 41, which represents less than 12 times the 1930 earnings per share, a conservative valuation for a stock of this caliber. The dividend of $2.50 per annum returns a yield at current price levels of 6.1%, a very liberal one considering the wide margin of earnings over dividend requirements, and one which probably cannot be duplicated by other utility equities of similar grade.

(*Please turn to page* 120).

INDUSTRIALS

Where a Few Cents Mean Millions

Increase in Retail Price of Cigarettes and Possible Jump by Manufacturers May Have Important Security Significance

By Henry Richmond, Jr.

THERE is something fluff-like about a cigarette. It is lightly bought, lightly smoked and lightly discarded. It owes its whole existence to one of man's peculiar whims and serves only to pass a fleeting moment. It is the subject of small, seemingly insignificant changes in price, in the mode of wrapping or in advertising policies and these the general public accepts for the most part unaware of their real importance. Yet how can there be anything trivial about an industry from which the Federal Government managed to collect nearly $360,000,000 in taxes last year? As a matter of fact it is in the cigarette industry that small changes have a meaning altogether disproportionate to their face value, particularly for the thousands dependent upon the little tobacco-filled cylinder for a livelihood and for the steadily increasing host of stockholders who look to it for profits and dividends.

Results Which Might Be Expected of the Important Cigarette Manufacturers if Wholesale Cigarette Prices Were—

	Per Share Earnings at $6.40 per 1000 (present price)	Per Share Earnings at $6.60 per 1000	Per Share Earnings at $6.80 per 1000	Per Share Earnings at $7.00 per 1000
The American Tobacco Co......	8.56	9.80	11.00	12.25
Reynolds Tobacco Co.	3.42	4.00	4.60	5.20
Liggett & Myers Tobacco Co....	7.15	8.60	10.00	11.50
P. Lorillard Co.	1.47	†	†	†

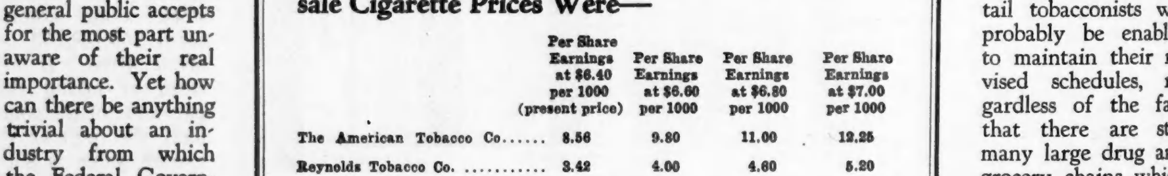
† Estimates likely to be upset on account of increased advertising appropriations.

In the recent announcement that the United Cigar and Schulte stores proposed to sell two packs of the popular brands of cigarettes for 27 cents instead of 25 cents as had been the case previously there is an example of a seemingly unimportant development which may be destined to have far-reaching reverberations. Consider what it may mean first to the retail tobacconist, more particularly to the stockholder in two of the largest distributing chains. Then let us envisage the logical outgrowth and its effects upon the manufacturing side of the industry in which there is even more security interest.

This increase of 1 cent a pack for cigarettes—does the purchaser miss the small difference, and if he does not, is it then of any more importance to the seller? Let us see. Although higher prices cannot be said to stimulate the consumption of any product in popular demand, the public has been educated over a number of years to pay up to 15 cents for a pack of cigarettes with the result that as long as the price asked does not surpass this amount, there will be little desire to search elsewhere in order to save a penny or two. This would mean that United Cigar, Schulte and other retail tobacconists will probably be enabled to maintain their revised schedules, regardless of the fact that there are still many large drug and grocery chains which have not yet followed their lead.

Now, cigarettes are sold wholesale for $6.40 a thousand, subject to discounts of 10% and 2%, so that the cost to the retailer amounts to $5.6448. If he should buy through a jobber the discounts allowed might reasonably be 10% and 1% so that in this case his cost would be $5.7024. At any rate, if the retailer sells two packs for 25 cents, he receives $6.25 a thousand and this gives him a maximum gross profit of $0.6052 or about 10.7% on his cost.

On the other hand, if two packs are sold for 27 cents the gross profit becomes $1.1052 a thousand or about

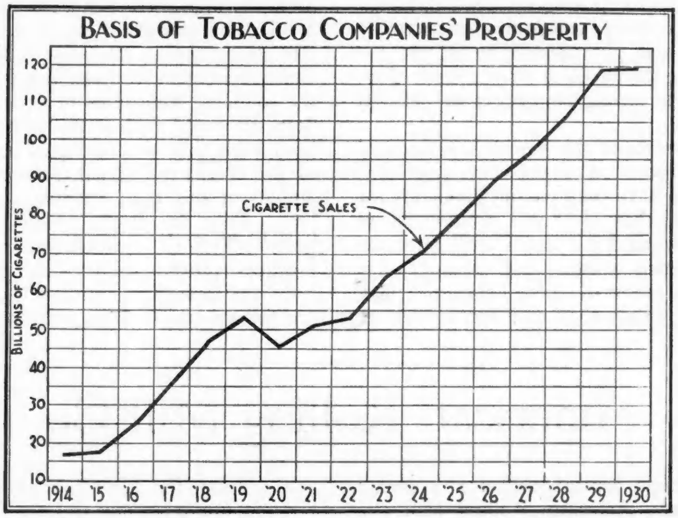


80% greater. This is impressive but the difference which it makes in the "net" is almost astounding. It has been officially stated by the Schulte management that the difference between gross profit and net profit on the popular brands of cigarettes amounts to around 35 cents a thousand, so that when two packs are sold for 25 cents the retailer makes a net profit of only about 25 cents on this quantity, whereas by selling them at the rate of two packs for 27 cents his net profit amounts to about 65 cents, an increase of 160%.

Furthermore, investigation leads to the belief that the "two pack" business has fallen off for the reason that many customers, rather than be bothered with odd cents, prefer to buy one pack for 15 cents, resulting in an even further widening of the profit margin. If the whole business were done on this basis the retailer's profit would be $1.85 a thousand. His actual profit then lies somewhere between this figure and $1.10—the amount he would make selling two packs for 27 cents. Allowing for the carton business which even under the revised schedule still brings only $6.25 a thousand and accepting the recent estimate that United and Schulte together do about 7% of the country's total cigarette business it appears reasonable to suppose that the higher prices will increase the net income of United Cigar Stores by about $2,000,000 and that of Schulte by about $700,000. Translated into yearly per share earnings this would make a difference in the case of United Cigars of slightly under 40 cents and in the case of Schulte the increase would amount to about 65 cents a share. While the revised schedule of cigarette prices then is undoubtedly a constructive development for these two companies it must not necessarily be construed as positively indicating the wisdom of purchasing their common stocks, for many other factors enter into such a question and part at least of the expected improvement has already been discounted in the market; it has merely been done to show the far-reaching influence of a trivial 1-cent increase in the price of a pack of cigarettes.

Now, assuming that the public accepts the revised schedules without indicating any marked disapproval which would show itself in a drastic sales decline, the situation exists where the cigarette retailer, in consideration of the rapid turnover in the business, is making a really handsome profit. Will the big cigarette manufacturers fail to share in it? Suppose the big cigarette manufacturers raise wholesale prices, and at this writing it certainly does not strain the imagination to picture it.

BASIS OF TOBACCO COMPANIES' PROSPERITY



Further suppose that the increase is the same as it was the last time they made a similar move, namely 40 cents, so that the quotation becomes $6.80 a thousand subject to the same discounts as are in effect at the present time. Now let us see what would happen.

Tax withdrawals of small cigarettes for domestic consumption in the United States amounted to 119,625 million last year, while exports for the same period totaled 4.9 million. Of these amounts by far the greater proportion consisted of the popular-priced, nationally advertised brands with which we are now dealing. An increase then of 40 cents a thousand will affect between 100,000 million and 110,000 million cigarettes annually and, allowing for the discounts, it will be a levy affording a revenue of between $35,000,000 and $39,000,000 a year. This would have the effect of taking from the retailers some part of their increased profits and would force the drug and grocery chains which have not yet raised their prices to do so.

Before going any further it might be well to explain that the large cigarette manufacturers, American Tobacco Co., Reynolds Tobacco Co., Liggett & Myers Tobacco Co., and P. Lorillard Co., are still operating for the most part on the theory that the slightest inkling of their businesses in regard to production costs, quantity produced or sold should be withheld for fear lest a competitor gain an advantage. This makes a complete analysis difficult and one is forced to resort rather extensively to estimates. Recently, however, The American Tobacco Co., in the burst of enthusiasm following the success of its late advertising campaigns, forsook to some extent its strategical position in order to score a tactical point, thereby affording a base for specific conclusions. The company stated that of the 119,625 million cigarettes withdrawn last year for domestic consumption it accounted for 38.1%. This would give it an output of some 46,000 million of which about 42,000 million may safely be assumed to be "Luckies." A net increase then of 36 cents a thousand means an increase in revenue of $15,000,000 a year to the company and, supposing other factors to be the same, would bring the company's total earnings close to the $50,000,000 mark or about $11 a share on the present A and B common stock capitalization.

Using the same line of reasoning and making more or less arbitrary guesses as to the production of the respective companies the rest of the public's thirty-five million dollar odd donation, would be divided as follows:

(*Please turn to page 125*)

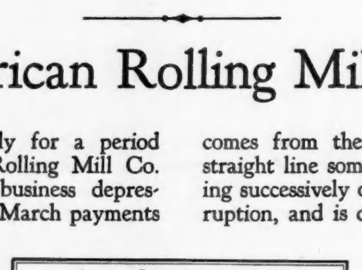
Companies Which Have Strengthened Their Position by Dividend Adjustments

"TO conserve the assets and retain the strong liquid position of the company in the interest of the stockholders"—so runs the phrase from which the stockholder must seek solace when instead of the dividend check he has been expecting in the mail he finds one for a smaller amount than usual or perhaps none at all. This expression, however, is not always an empty platitude. By frankly facing conditions and adjusting dividend disbursements at one fell swoop many companies *do* actually strengthen their position and put themselves in line for more rapid advance when the business turn comes. Particularly does this apply to strong companies in deflated industries.

Business conditions throughout the world have mowed down the earnings of corporations everywhere in recent months. Companies which have been paying dividends for twenty years and more find themselves in a position where it is the wise course to suspend payments until improvement and recovery have again re-established earnings on a satisfactory basis. While many of these companies may have large surpluses from which they may legally declare dividends, dipping into the surplus involves more than merely a reduction of the surplus account. In a going business, unless current earnings are equal to, or greater than, the dividend disbursements the company's working capital position will gradually become impaired, so that it is merely a question of time before the dividend will have to be reduced. The stock of companies which have promptly appraised such a situation and adjusted their dividend disbursements, not infrequently therefore, offers an attractive opportunity for ultimate price appreciation. Commitments in stocks of this type should be made only in the soundest companies in which dividend payments have been dispensed with entirely or where the adjustment has been such that the rate paid is well within the capacity of the company's actual, present-day income. A few examples of this type are given in the analyses which follow. They are stocks which have been well deflated in price and which represent great potentialities when general business recovers. They are not necessarily recommendations for immediate purchase but will bear careful watching for accumulation in periods of market stress.

American Rolling Mill Co.

AFTER paying dividends continuously for a period of twenty-three years, American Rolling Mill Co. was so severely affected by the business depression last year and so far this year that in March payments on the common stock were passed entirely. The company, however, is in excellent financial condition and retains its enviable position of leadership in its particular branch of industry. Indeed, the company is in a better position for large and efficient operations than ever before in its career and awaits only an improvement in business to re-establish itself on a profitable basis which will warrant a resumption of dividends on the common stock.



American Rolling Mill Co. together with its subsidiaries comprises one of the largest manufacturers of specialty sheet steel in the country, in connection with which it controls a continuous rolling process. This unique process represents the result of more than 15 years of development and research work, but its perfection has revolutionized the sheet industry. As the name implies, this new process is a continuous operation and differs from the old method in that it eliminates the many segregated operations each with its individual function. Four men now do the work that ten men formerly did under the old method. In the continuous rolling process the hot ingot weighing 12,000 pounds, which comes from the blooming mill, is moved forward in a straight line some 800 feet through mills and furnaces acting successively on the product, processing it without interruption, and is delivered at the end of the line as sheets.

The company has patented this process and licensed it on a per ton royalty basis, to other steel companies which include United States Steel, Republic, Youngstown and Inland Steel. As yet, only a few mills have been completed for producing under this process but the company anticipates substantial profits from royalties in future years.

American Rolling Mill has six plants of its own, with central operations at Middletown, Ohio, Ashland, Ky., and Butler, Pa., all three of which are equipped to use the continuous rolling process. The aggregate capacity of the company is estimated at 1,800,000 tons of ingots annually. Steel sheets comprise a large proportion of the output and these in turn are used for many different products including transformers and other electrical equipment, culverts, tanks, railroad cars, automobile bodies and parts, stoves, radiators, metal doors, and other sheet metal work. The company also produces bolts and nuts, reinforced bars, forged steel wheels, and wire products.

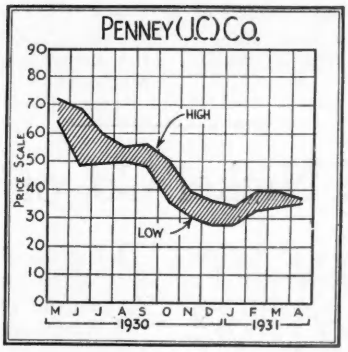
Earnings dropped off severely in 1930. Sales for the year, including Sheffield Steel acquired as of July 1, 1930,

were $53,651,626 against $70,434,232 in 1929. Net earnings remaining for the common stock after all prior charges were only $53,125 or 3 cents a share on the 1,708,922 common shares of $25 par value. The first quarter of 1931 showed a deficit of $663,049. Net working capital position as of March 31, 1931, was strong with current assets of $36,526,076 and current liabilities of $3,948,344.

At the recent price of about 25, the stock is selling near its low point since the "bear" market set in late in 1929, and although lower levels may still be seen the stock should be watched as one of those which will probably recover rapidly as business conditions swing on the upturn.

J. C. Penney Co.

ALTHOUGH the huge enterprise known as J. C. Penney Co. received its first serious setback in sales volume last year, it nevertheless managed to emerge from the generally disastrous 1930 in better financial condition than obtained on entering the period. The ratio of current assets to current liabilities as of December 31 last was more than 12 to 1, which compared with slightly better than 6 to 1 shown at the end of 1929. Cash increased more than $5,000,000 to a new high record of $12,270,000, while inventories declined $14,307,000 notwithstanding the fact that 57 new stores were added during the year. This is the more impressive when consideration is given to the fact that, due to a change in the company's dividend policy, disbursements on the common stock during the year aggregated $5.50 a share which covered payments for 1929 as well as for the current period.



J. C. Penney Co. is the outgrowth of a little country store started in Kemmerer, Wyoming, in 1902. Expansion from this nucleus has been rapid, particularly since 1924 when the company seeking broader privileges was re-incorporated under the laws of Delaware. There are now nearly 1,500 Penney stores of the small department-store type, specializing in a full line of clothing for men and women, dry goods and miscellaneous merchandise and the company is represented in every State of the Union, although for the most part outlets are concentrated in the territory west of the Mississippi River.

As of December 31, 1930, the capitalization of J. C. Penney Co. consists of 198,955 shares of 6% cumulative preferred stock of $100 par value, followed by 1,145 shares of "classified" common stock also of $100 par value—issued to store managers under the company's profit sharing plan and which must be converted into common stock before the end of this year—and finally, 2,466,908 shares of no par common stock. The company has no funded debt with the exception of mortgages totalling $150,000. Sales during 1930 amounted to nearly $193,000,000 which compared with $210,000,000 for the previous year and it was officially stated that the decline was due more to the fall in commodity prices than to a decrease in unit volume. Earnings applicable to the common stock totaled $7,089,102 as against $11,190,738 for the year 1929, equal to $2.88 and $4.66 per share respectively.

In reducing the dividend payable March 31 of the present year from 75 cents to 60 cents, thereby placing the common stock on a $2.40 annual basis instead of $3, J. C. Penney Co. clearly indicated that it did not propose to jeopardize its strong financial position and, although it is possible with sales for the first three months of this year running some 12% under those of the first quarter of 1930, that even the lower rate will not be entirely covered by earnings, the company is pursuing a policy which commends itself to the thinking investor. A policy incidentally which will permit the company to continue with its expansion program unhampered by large unearned dividend payments. At present levels of around $35 a share the common stock of J. C. Penney Co. yields nearly 7% and, while certainly speculative under present conditions, the company needs but stability—not necessarily rising prices—in general commodities in order to show marked improvement.

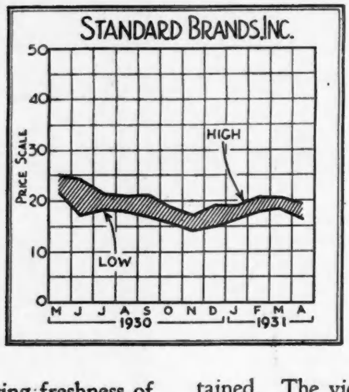
Standard Brands, Inc.

CHANGES in dividend rate are frequently dictated by conservatism on the part of the management, and this apparently was the case when Standard Brands, Inc., reduced its dividend from $1.60 to $1.20 per annum on the common stock in November, 1930. This adjusted rate on the basis of the present condition of the company's business is being earned by a small margin, but current results also give strong indication that when normal economic conditions are again approached in this country the company has attractive possibilities for a considerably higher level of earnings.

Earnings for the first quarter of 1931 show a moderate increase over those for the corresponding quarter of 1930, reflecting an increase in sales and a more substantial realization of the benefits from the merger of the various companies composing Standard Brands, Inc. Gross profits after costs amounted to $12,074,559 for the quarter ended March 31, 1931, as against $11,294,112 for the corresponding quarter of last year. Operating expenses of Standard Brands itself were substantially the same for both periods amounting to $7,685,142 and $7,630,379 respectively. Net earnings remaining for the common stock after all prior charges amounted to $3,795,984, equivalent to 30 cents per share, in the first quarter of 1931 as against only $3,245,509 in the corresponding quarter of 1930, equivalent to 26 cents per share.

Standard Brands is built around three cardinal principles—quality products, quick distribution, and scientific merchandising. These were the basic principles which made the Fleischmann Co. such an outstandingly successful con-

cern in its field and have always been remembered by the present Standard Brands, Inc., which in 1929 acquired the business and assets of the first named company as well as those of E. W. Gillett Co., Ltd. (of Canada), Chase & Sanborn, Inc., and the Widlar Food Products Co., and also control of Royal Baking Powder Co.



A wide variety of products is now distributed by Standard Brands including yeast, malt products, industrial and denatured alcohol, baking powder, coffee and teas, condiments, olives, pickles, dressings, gelatin, vinegar and a number of special products. Distribution is attained principally through 900 direct selling agencies established in the United States, Canada, Cuba, and neighboring countries. From these agencies, products are distributed under a quick and frequent delivery system insuring freshness of product where this is essential, and for the more durable items permits low inventories by retailers and hence smaller investment in merchandise.

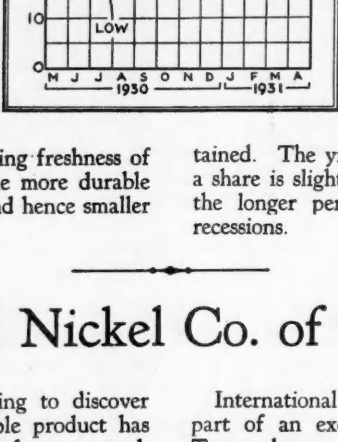
Service is given not less than twice a week and in many cases daily to upwards of 60,000 commercial bakeries, hotels, restaurants, public institutions and to upwards of 300,000 grocer.

The company is in an exceptionally strong financial position with total current at the end of 1930 amounting to $46,926,748 and current liabilities of only $4,693,530 giving a ratio of 9.9 to 1. The style of capitalization is very simple. The company is entirely free of funded debt, has a small amount of preferred stock outstanding, some 147,730 shares of $7 cumulative series A, and 12,644,002 no-par shares of common stock.

On the basis of earnings so far this year, the $1.20 dividend will be earned by a small margin and indicates that the present rate will probably be maintained. The yield at the recent price for the stock of $17 a share is slightly over 7%. The stock has attraction over the longer period and may be accumulated on market recessions.

International Nickel Co. of Canada, Ltd.

WHILE it is undoubtedly disconcerting to discover that the demand for one's principle product has declined some 40% in the course of a year, such a situation will not hold the same terrors if it has been previously experienced and successfully overcome. So, in the case of the nickel industry, it may be safely assumed that the knowledge gained during the period immediately following the World War will now stand it in good stead. At this time the need for armour plate and ordnance ceased abruptly, resulting in an 80% or 90% reduction in demand for the metal.



In nickel, the extremely serious depression following the war, was dissipated by the discovery of new uses for the metal and the value of research, clearly attested in this instance, has never been forgotten. The International Nickel Co. of Canada, Ltd., by far the most important factor in the field, has recently completed a new research laboratory at Bayonne, New Jersey, and here there will undoubtedly be developed new uses for nickel, nickel alloys, platinum and other precious metals of which the company is also an important producer. At the present time, nickel is alloyed with steel, copper, chromium or other metals to give a product either of greater toughness, resistance to corrosion, heat or acids, or perhaps having low expansion or certain electrical properties. It is alloyed with precious metals for the jewelry trade; used pure as a chemical; and appears to be replacing silver to a large degree in coins of small denomination. "Monel Metal" is the International Nickel Co.'s registered trade mark for a nickel-copper alloy of high nickel content, which is said to be more durable than bronze, as strong as steel and to resemble silver in appearance. In fact, so important is the company's alloy business that the president recently stated that the enterprise was now more of a manufacturing than strictly mining concern.

International Nickel has recently completed the better part of an exceedingly ambitious development program. Tremendous ore reserves have been blocked out, smelters and concentrators renovated and others built, and fresh power sources added to the company's already extensive developments, so that the full earning power under normal conditions of demand has never been demonstrated. Perhaps the two most important specific causes which induced the company to cut its dividend from $1 to 60 cents a share recently were the great drop in the price of copper, of which it produces large quantities, and the slackened demand for nickel-steel alloys from the automobile industry. The cut in the dividend rate, however, will bring disbursements more in line with actual earnings and enable the company to conserve its cash resources, so that any new laboratory discoveries may be exploited without delay and immediate advantage taken of increased demand for any of its present products.

For last year the International Nickel Co. of Canada, Ltd., reported net income of $11,770,060, after interest, Federal taxes, depreciation and depletion, insurance and other reserves which, after dividends on the company's 7% preferred stock, was equal to 67 cents per share on 14,584,025 shares of common stock. This compared with $1.47 per share for the previous year. Selling around $15 a share on the New York Stock Exchange, the common stock of International Nickel can be bought to yield about 4% on the present dividend and, although there is some justification for doubt in the near-term outlook for the company's business, it must be remembered that an interest in this concern represents a share in the near-monopoly of a basic and indispensable product—as is attested by the price of nickel remaining steadfast among its crumbling contemporaries—copper, tin, lead, zinc, silver and others.

Market Seeking New Base On Penny Earnings

(Continued from page 77)

in mind that any immediate sharp advance probably would invite renewed liquidation and bear selling.

Yet there are plainly two sides to the early picture. Having declined more than 60 per cent from the bull market peak, it seems scarcely logical to expect that successive periods of acute reaction should match the intensity and scope of earlier slumps from higher price levels. The very distance already covered possibly should limit additional downward movement after twenty months of readjustment. Decline from the February high to the low level of April 29 amounted to approximately 28 per cent and hence is roughly equivalent to the 35 per cent decline which began September 10, 1930, and ended December 16. Previous reactions of such scope have invariably been followed by substantial rally, the character of which has been more or less dependent upon the inclinations of professional traders and their financial allies. The trend should temporarily point upward after a 28 per cent decline.

Nevertheless it is questionable that a manipulative advance could now attain more than limited success. The technical base may be favorable, but while such a movement does not have to be soundly founded upon economics it does have to carry with it some reasonable pretence of reality. The bullish program of January and February had the enormous advantage of being seasonally logical as well as technically well founded. It was accompanied until mid-March by visible gains in some of the indices to which speculative psychology is most responsive, notably in steel operations. There was at least some faint chance of a spring business improvement more than seasonal.

At present, however, we approach summer, and the next logical period of seasonal hope comes with the fall. There is neither an earnings base nor a psychological base for significant market advance. Meanwhile the strengthened technical position appears to be the market's chief defense against the accumulated and cumulative power of intrenched depression. It is a defense upon which investors can scarcely place much reliance. The risk involved in premature efforts to discount genuine recovery continues to loom larger than that of missing the turn which, near or far, certainly is not now evident.

Preferred Stock Guide

NOTE: The following preferred stocks are listed solely in accordance with the current yield on each. The sequence of Guide, therefore, does not indicate a preference for one issue over any of the others. Readers should observe a proper diversification of commitments in making their selections from this list.

Railroads

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Norfolk & Western	4 (N)	133.73	182.20	138.50	No	92	4.3
Atchison, Top. & S. Fe	5 (N)	40.21	49.18	30.08	No	107	4.7
Union Pacific	4 (N)	46.32	49.48	41.30	No	85	4.7
Baltimore & Ohio	4 (N)	49.44	48.87	36.46	No	75	5.3
Illinois Central Conv. A	6 (N)	66.28	70.98	49.82	115	100	6.0
N. Y., New Haven & Hart	7 (C)	34.40	45.47	30.50	115	113	6.2
Chicago & Northwestern	7 (N)	53.84	69.65	37.25	No	106	6.6
Pere Marquette Prior	5 (C)	75.60	55.50	17.86	100	70	7.1
Chic., Rock Island & Pac. (5% Cum.)	6 (C)	23.60	25.14	13.60	102	85	7.1
Colorado & Southern 1st	4 (N)	49.45	41.72	15.00	No	55	7.3

Public Utilities

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
Public Service of New Jersey	8 (C)	§20.92	19.04	24.44	No	154	5.2
Amer. Lt. & Traction	1½ (C)	17.20	21.38	20.71	No	29	5.2
So. California Edison "B"	1½ (C)	3.28	3.61	3.63	28¾	28	5.4
Pacific Gas & Elec. 1st	1½ (C)	4.24	4.57	5.25	No	28	5.4
North American Co	3 (C)	40.22	47.48	47.51	55	56	5.4
Philadelphia Co.	3 (C)	20.68	27.58	28.27	No	54	5.6
Columbia Gas & Electric "A"	6 (C)	30.78	33.95	26.86	110	107	5.6
North Amer. Edison	6 (C)	53.15	47.48	47.51	105	105	5.7
Elec. Bond & Share	6 (C)	18.43	29.11	31.24	110	104	5.8
American Water Works & El.	6 (C)	31.05	39.11	44.22	110	104	5.8
National Pr. & Lt	6 (C)	45.38	50.22	45.16	110	102	5.9
Buffalo, Niagara & Eastern Pr.	1.6 (C)	4.52	5.19	5.25	26¼	27	5.9
United Corp.	3 (C)	....	4.66	6.46	55	50	6.0
Engineers Publ. Serv. (w.w.)	5½ (C)	8.79	17.65	16.21	110	90	6.1
United Light & Power Conv	6 (C)	....	16.62	17.44	105	95	6.3
Standard Gas & Electric	4 (C)	14.07	20.39	20.95	No	61	6.6
Federal Light & Traction	6 (C)	49.93	40.12	39.68	100	90	6.7
Electric Power & Light	7 (C)	17.00	19.03	13.39	110	103	6.8
Hudson & Man. R. R. Conv	5 (N)	37.02	42.89	40.79	No	68	7.4

Industrials

	Div. Rate $ per Share	Earned $ per Share 1928	1929	1930	Redeemable	Recent Price	Yield %
du Pont (E. I.) de Nemours deb.	6 (C)	69.06	78.54	55.22	125	122	4.9
Hershey Conv.	†5 (C)	16.25	21.36	24.24	No	100	5.0
Aluminum Co. of Amer	6 (C)	14.04	17.19	7.93	110	109	5.5
Stand. Brands, Inc., Cum. A	7 (C)	123.40	129.41	111.03	120	122	5.7
Diamond Match	1.5 (C)	....	....	....	No	26	5.8
Brown Shoe	7 (C)	85.27	44.11	35.31	120	118	5.9
General Cigar	7 (C)	62.81	85.92	64.03	No	116	6.0
Curtis Publishing	7 (C)	21.48	23.93	21.25	120	115	6.1
General Mills	6 (C)	18.70	18.86	20.03	115	99	6.1
Bucyrus-Erie	7 (C)	39.34	48.34	35.72	120	114	6.1
Mathieson Alkali Works	7 (C)	84.50	93.91	84.68	No	112	6.2
Commerc. Investm. Trust 1st.	6½ (C)	45.50	81.92	90.87	110	103	6.3
Bethlehem Steel Corp	7 (C)	19.16	42.24	23.84	No	109	6.4
Case (J. I.) Thresh. Mach	7 (C)	32.59	35.06	25.52	No	106	6.6
Deere & Co.	1.40 (C)	5.90	9.64	5.20	No	21	6.7
American Sugar	7 (C)	14.60	15.40	12.60	No	102	6.9
Bush Terminal Buildings	7 (C)	‡	‡	‡	120	100	7.0
Crown Cork & Seal	2.70 (C)	7.90	6.36	7.84	45	32	8.4

C—Cumulative. N—Non-cumulative. § Earned on all pfd. stocks. ‡ Guaranteed unconditionally by Bush Terminal Co. † Regular rate, $4.

Labor Saving Devices Pay the Manufacturer

Record of Earnings and Dividends in Good Times and Bad Gives Business Equipment Manufacturer High Rating

By Ronald P. Hartwell

THE International Business Machines Corp. is doing to the office what International Harvester has done to the farm and American Machine & Foundry to the cigarette and cigar business. Efficient machines more and more replace the manual labor formerly involved in the intricate processes of accounting and recording. The evolution has spelled notable economies for business and in the last decade has proved a bonanza to shareholders of International Business Machines. Of particular interest at the moment, the battering assault of protracted business depression gives no evidence of being able to dam this stream of profits.

Due in many instances to fortuitous circumstances, a substantial minority of companies have successfully withstood depression but their number includes very few industrials. International Business Machines ranks high in this limited aristocracy, enjoying the distinction of continuing to establish new high profit records with persistent regularity in good times and bad. This is a performance so rare in the parlous year 1931 that it instantly provokes curiosity as to the underlying factors involved. If it be thought that any happy accidents supply the explanation or that the industry possesses essentially depression-proof characteristics on which management can coast to easy profits, let it be pointed out at the outset that eight other companies in the same general field showed a shrinkage of approximately 40% in earning power during 1930.

An Enviable Record

To the story of International Business Machines, the very epitome of the Machine Age, there can be no better introduction than the simple figures of the latest earnings statement. Earnings for 1930 were $7,357,816, as compared with $6,705,966 in the "boom" year 1929, an increase of nearly 10%. Profit amounted to $11.53 per share on 637,954 shares of stock outstanding during 1930, against $11.03 per share on 607,576 shares in the preceding year. And there is nothing of mushroom success in these results. The attainment of new high records appears to have become a habit with the company's management, under the leadership of Thomas J. Watson. Since 1922 profits have attained new highs every year. The gain over the preceding year was 25% in 1929, 20.9% in 1928, 17.8% in 1927, 33.2% in 1926, 27.1% in 1925, 13.4% in 1924, 37% in 1923 and 61% in 1922. The performance not only was maintained in 1930, although at a less pronounced rate of increase, but is continuing thus far in 1931. It is this fact which is of greatest interest to shareholders, present or potential. Earnings for the first quarter were $1,890,663 as compared with $1,793,831 in the corresponding period of 1930. Since the first quarter probably constitutes as severe a test of earning power as most industrial companies are likely to be subjected to, some evidence already is supplied that the year again will see a new profit record for International Business Machines.

International Business Machines Earnings

Year	Net for Common	Per Share
1922	$1,431,818	$10.93
1923	1,961,375	13.46
1924	2,225,337	14.77
1925	2,828,533	14.66
1926	3,766,250	6.51
1927	4,435,319	7.67
1928	5,363,766	8.83
1929	6,705,967	11.03
1930	7,357,816	11.53

It is worth noting that this showing does not reflect reduced payrolls or the cutting of other corners in internal management. On the contrary, sales efforts were greatly expanded during 1930, the corporation adding some 20% to the number of its employees. Similarly, plant facilities were expanded to take care of additional business, the floor space of its main factory being increased 20%.

Census Business

One element of non-recurring character perhaps needs to be considered. The company in 1930 was favored by the unusual demand for tabulating and recording machines required in taking the Federal census. According to the company's statement, this business amounted to only 1½% of the corporation's gross sales. It can therefore be dismissed as a major factor.

The most important cause for stability of earning power lies in its policy of renting, rather than selling, much of its accounting and tabulating equipment. These machines are expensive and outright sales doubtlessly would show rather wide fluctuations with the business cycle. On a rental basis, although not entirely unaffected by depression, they supply a continuing source of income. Sale of supplies, in-

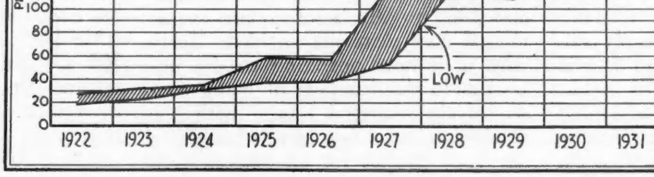
cluding ribbons and cards, also is substantial. In addition to this bulwark of profits, the company successfully sought expanded earnings by adding new items to its line and by more aggressive selling efforts.

The demand for time-saving and labor-saving devices such as are manufactured by the various subsidiaries of International Business Machines has been greatly increased by the modern trend toward huge industrial and banking combinations and by the constant search of Big Business for more efficient methods. In the field of tabulating equipment the company occupies a dominant position and the potentialities of this business have by no means been exhausted, either here or in foreign countries. Its surveys indicate that a relatively small number of establishments in a position to use mechanized equipment have yet adopted it. Indefinite room for expansion thus is left.

Diversified Products

The company makes more than 450 products. Its most important include the Hollerith tabulating system equipment, time clocks, time-recording devices and a broad variety of equipment for the retail trade, including scales, meat-choppers, slicers, grinders, etc. These products are marketed in seventy-seven foreign countries and factories are maintained, in addition to the United States, in Canada, Germany and France. Its ability to manufacture abroad is of importance in connection with possible retaliatory tariff action by foreign governments in answer to our increased tariff rates. It is expected that the European and South American business will become increasingly important in future years.

International Business Machines is a holding company, organized in New York State in 1911 as a consolidation of four companies. The present name was adopted in 1924, replacing the awkward title "Computing-Tabulating-Recording Co." Plants on this continent are located at Endicott, N. Y., Dayton, Ohio, Washington, D. C., and Toronto. The three chief subsidiaries are Dayton Scale Co., Tabulating Machine Co. and International Time Recording Co. Work of some of the component units dated back twenty years prior to the consolidation in 1911.



Growth in capital investment and profits has been notable. It is estimated that net income, compounded annually, has increased more than 20% a year since 1922. Stockholders have fared well. Assuming that all rights were exercised and all stock dividends retained, an investment of $5,075 in 100 shares in 1919 would at present amount to more than $125,000. There has been little outside financing and in the last decade more than $15,000,000 earned in excess of dividends has been ploughed back into the enterprise. Write-offs have been liberal, depreciation charges in 1930, for example, amounting to approximately 16% of operating income. Rental equipment is depreciated at a rate that will retire it in seven years. The dividend policy has been to distribute approximately 50% of net earnings but to recognize expanding investment and earning power in periodic stock dividends. In recent years and at present these amount to 5% annually.

International Business Machines' unbroken dividend record dates back to 1916, the rate increasing gradually from $3 a share to $8 a share until the stock was split three-for-one in 1926. On the new stock the company paid $3.50 in 1926, $4.25 in 1927, $5 in 1928 and $5.25 in 1929. It was increased to $6 last year. In addition, stockholders received subscription rights in 1920, 1923 and 1925 and a 20% stock dividend in 1925.

The balance sheet as of December 31, 1930, shows total assets of $43,605,371, against $40,404,079 a year previously. Patents and good will, less heavy reserves for amortization, are carried at $13,905,129, a total which has remained relatively stable in recent years. Investment in land and buildings also has shown little growth, but there has been a steady increase of investment in plant equipment and rental machines as profits have been turned back into the business. This item is carried at $10,380,893 after a depreciation reserve of $10,064,879. Total current assets amount to $10,757,770, as compared with $10,711,549 at the close of 1929 and include cash of $3,367,503 and $1,000,000 in United States Government certificates. Inventories of $3,112,232 compared with $3,539,983 at the end of the preceding year. Net current liabilities are $2,893,502 and net working capital $7,864,268. Profit and loss surplus of $16,625,329 compares with $14,143,318 a year previously.

Small Bonded Debt

Moderate bonded indebtedness amounting originally to $7,000,000 collateral trust sinking fund bonds of the Computing-Tabulating-Recording Co., due in 1941, has been steadily retired out of earnings and the amount outstanding is now only $2,987,000. A sum has been deposited with the trustee to retire an additional $250,000, thus reducing the total to $2,737,000. Interest requirements are negligible in comparison with earning power, being over forty times covered as the above earnings figures show.

The capital structure is simple. There are authorized 750,000 shares of no-par value common, of which 669,852 are outstanding after recent distribution of a 5% stock dividend. The number of shareholders has more than quadrupled in the last decade, but floating supply of the stock in the market remains relatively small. This fact, together with the high dollar price, makes for comparatively wide swings in price, although the stock is not normally an active favorite.

The stock's price range in 1929 was from a low of 109 to a high of 255. Lowest quotation in 1930 was 131 and highest 197⅛. The range this year has been from 145½ to 179¾. The recent price on the New York Stock Exchange around 155 represents an earnings ratio of about 14-to-1 and offers a cash yield of about 3.9%. In a declining market where high ratio and low yield stocks are under special attack these figures are sufficient in themselves to suggest that buyers are looking ahead to probable future expansion.

Market Indicators

For Profit

Hydrogenation of Coal Patents Pooled

The production of oil from coal is probably to the layman the most startling development of modern chemical synthesis and he watches its every advance with the deepest interest. The latest news of this process is that a new company, the International Hydrogenation Patents Co., will be formed for the purpose of exploiting it in all countries outside the United States and Germany. The new company represents a fusion of the interests of Standard Oil Co. of New Jersey, I. G. Farbenindustrie of Germany, Royal Dutch Shell and the Imperial Chemical Industries, Ltd. The commercial development of coal hydrogenation, which as its name implies consists in mixing hydrogen with powdered coal under a high temperature and pressure in order to produce oil, may have far-reaching effects on such countries as Great Britain, where there is plenty of the one but none of the other.

* * *

Private Versus Public Ownership of Utilities

Whether they are conscious of it or not, all holders of public utility securities in our own country are deeply concerned with the present controversy in regard to the advantages of public ownership compared to private ownership, and vice versa. So, for this reason, the recent announcement that the Berlin Administrative Board had at last agreed to terminate the disastrous public operation of that city's utilities is at least of academic interest. The transfer is not yet completed but, when ratified by the city council, it will relieve the unfortunate population of a situation not entirely dissimilar from the New York traction calamity where, for an out-worn political shibboleth, the town daily suffers agonies of mental, physical and financial embarrassment and from present indications will continue to do so indefinitely. The city of Berlin at the present time has outstanding some $100,000,000 in short term notes; the utilities showed a deficit of around $25,000,000 last year and are expected to report one about $5,000,000 greater than this for the current twelve-month period. The syndicate which is to take over the business comprises German and foreign bankers, including a group from the United States and, if there be anything in precedent, improvement over present conditions may be confidently expected.

* * *

Investment Trust Bookkeeping

Stockholders and prospective stockholders of management investment trusts will be pleased to learn that there is a distinct tendency among these companies to eliminate the vicious system whereby stock market profits and losses are taken directly into the Profit and Loss Account without appropriate annotations. While it may be contended that the old method is condoned—perhaps encouraged—by the Federal income tax on capital items, it resulted nevertheless in the sponsors of such a company receiving credit during 1928 and 1929 to which subsequent events proved they were not entitled. Likewise it is now operating to the unwarranted disadvantage of many conservatively managed trusts, with the result that not a few can be bought in the open market for an amount well under their liquidating value. The stockholder desires above all a clear picture of his company's operations and its true position as of a certain date. This the Income Account and Balance Sheet are expected to give him. If they fail in these objectives, they are worse than worthless, and because the new system will eliminate much distortion and even misrepresentation it has everything to commend it.

Waldorf System, Inc.

There are not many companies whose earnings for the first quarter of 1931 made a new high record for any three months' period of their history and this, after a record-breaking year in 1930. And yet, such is the enviable achievement of Waldorf System, Inc. The company, starting in 1919 with 56 restaurants, has expanded steadily and conservatively until it is now operating some 150 outlets, most of which are located in New England. This growth has been attained almost entirely from earnings which is the more remarkable when consideration is given to the steady retirement of senior securities. The original issue of 8% preferred stock outstanding in the amount of $900,000 has been retired, while the company's second preferred stock has been reduced within the last three years from nearly $800,000 so that there are outstanding at the present time only about 28,000 shares of this stock with a par value of $10 ahead of 461,610 shares of no par common stock. Net income for 1930 was equal to $2.55 per common share, a new high record, while for the first three months of 1931, earnings equalled 70 cents a share as against 67 cents for the first quarter of the previous year, also a new high record. The company has paid dividends on its common stock since 1920 and is now selling around $23 a share to yield about 6½%—a return which can only be accounted for by a lack of efficient market sponsorship.

* * *

A Sidelight On "Basic"

One of the peculiarities of the present depression—perhaps all depressions—is to be noticed in the fact that the more basic an industry the more it seems to feel the adverse effects of such a condition. At the present time, agriculture, the most essential of all industries, appears to be the most be-

The Stockholder and Income

pressed, while the fact that steel is indispensable to our modern civilization has afforded it little or no protection from a like malady. The reduction in earnings shown by our large steel companies has been appalling. For the first three months of the present year United States Steel Corp. earned 5 cents a share compared with $3.44 a share in the corresponding three months of 1930; Bethlehem Steel 6 cents against $2.60; Inland Steel 52 cents against $2.26; Otis Steel 18 cents against 51 cents, while such important companies as Youngstown Sheet & Tube, Jones & Laughlin and Gulf States Steel all reported deficits in comparison with more or less substantial earnings. The advantages then of purchasing stock in a "basic" industry appear to be open to question, although grounds for such a belief can probably be found in the fact that an industry being basic is sure to recover some time, whereas in a luxury or non-essential industry the "knockdown" may be permanent.

* * *

American Can

The recent drives against the common stock of American Can Co. appear to be based, first on the decline in operations of tin plate mills, indicating a lessened demand for plate and consequently for cans; and secondly, on the California Packing report for the fiscal year ended February 28, 1931, which showed earnings of 9 cents per common share against $6.16 shown for the corresponding previous year. The latter emphasized the disappointing conditions existent in the canning trade and it is felt that such a situation must necessarily react to the disadvantage of American Can and other companies in the same field. In fact, the packing company stated "inventories of canned goods are greatly in excess of last year. They are priced at replacement values which are generally lower than cost. The season's pack for all companies was the largest ever made." Also, it must be remembered that American Can's production of general line containers is not unlikely to be subject to a smaller demand on account of the general depression. Even on the basis of last year's banner earnings which were equal to $8.08 a common share, the common stock of American Can, does not appear particularly cheap at present prices, while any decline in earnings without a corresponding decline in market price would, of course, make it appear still less so. The situation will bear watching, although due allowance for the company's undoubted financial strength and past record must not be overlooked in an excessive pessimism over the near-term outlook.

COMING!

Three Special Feature Issues

The next two issues of THE MAGAZINE OF WALL STREET, May 30 and June 13, will be known as International Numbers. They will contain special articles on foreign affairs that will not only prove of great interest but of high practical value. In these days when the whole world is so closely linked by rapid communications, transportation, branch factories and foreign trade, world problems and conditions in other nations are factors in our own prosperity and it is essential that business men and investors be thoroughly acquainted with the significance of the many new developments. Such questions as the liquidation of war debts, tariffs, foreign financing and the problems of both capital and labor are coming before the International Chamber of Commerce meeting in Washington and the League of Nations Committee at Geneva. They are of particular importance to our readers. The material to be presented is new. Facts, statistics, and interpretations that have never appeared elsewhere and of the most recent character will be portrayed. Much of this material for these issues was personally obtained by Mrs. Wyckoff on her recent visit abroad.

The June 27 issue will be our Public Utility Annual which has become almost an institution with readers of this publication. This year it will be more valuable than ever with authoritative articles and statistics of interest and value to corporation executives, investors and bankers.

Personal Investment Talk No. 4

Corporations as Investors

Surplus Earnings Go Into Securities

By John Durand

Investing surplus funds in securities has in the last year or two become an increasingly important side line of corporate activity, many companies extending the practice to the purchase of their own stocks. This latter policy especially raises some questions of unusual interest to the individual investor. The specific investment activities of a group of representative corporations are discussed in this article.

THE depression of 1930 found the majority of our corporations much stronger in cash resources than in any previous crisis. On the face of things one might have supposed that this would serve to prevent a serious decline in the prices of their securities; and yet, with all this financial strength, we are still in the throes of the greatest bear market in history. People are beginning to wonder if easy money may not sometimes be as demoralizing to a corporation as to an individual. There is a feeling that many companies, during the boom period, found it too easy to obtain capital for unwise expansion; and that excessive working capital, even in hard times like the present, may not prove to be an unmixed blessing—either to the company itself or to the country at large.

If it were only possible to compile a consolidated balance sheet for all the corporations in the country we would probably discover that net working capital has thus far been little impaired by the depression, despite a drastic falling off in profits. We do know for a fact that most of the larger companies have more working capital—a few nearly twice as much as at the end of 1928. Naturally it taxes ingenuity of executive heads to find employment for surplus funds which at present are not needed in the regular line of business. Interest rates are so low that there is little inducement to leave money on deposit or put it out on call. Many companies have tried, and abandoned, the plan of spending money on plant as a means of hastening general business recovery, and so it is perhaps natural that a considerable amount of corporate funds should have been diverted into the stock and bond markets.

Even a superficial examination of comparative annual reports which have come in since the first of the year serves to disclose that corporations have been buying and selling securities on an unprecedented scale during the past two years. Of course the major portion of such transactions has been confined to Government and other public bonds; though a considerable amount of stock has also been purchased, and even sold. A number of companies have been acquiring their own securities in the open market. Space and time limitations have compelled us to confine the statistical survey of such activities to a small, but representative, sample of forty corporations in the "A" section of the alphabet, whose stocks are listed on the Big Board, and from which reports are now available for the 1930 calendar year.

Any analysis of corporate operations in the stock and bond markets is greatly handicapped by the absence of adequate information. Most of the companies fail to make even a rudimentary classification of their holdings, many avoid stating whether investments are carried at cost or market, and only a few disclose the profits and losses arising from the sale of securities. In view of the rapidly growing magnitude of such operations, it would be of great service to present and prospective shareholders if corporations would generally adopt the frank accounting methods prescribed for investment trusts by the New York Exchange.

In compiling the accompanying table of securities held by forty representative corporations, we have included among investments only the securities of concerns which are probably not affiliated with the company which holds them. Information on this point is often lacking, so that the figures can not in all instances be regarded as authoritative. In a general way, securities are classed as investments —and placed among fixed assets on the balance sheet— when they are expected to be held for more than a year, or when they have been acquired for purposes of control. It is the former which we have attempted to segregate and include in the table. Marketable securities, which may be disposed of at any time, are usually included among current assets. Sometimes you will find a given lot of securities classed among the fixed assets one year and in the next report as a current asset. A transfer of such character might be regarded as preparation for early disposal of the securities, or it could be used to sweeten working capital. So far as can be ascertained, the general practice is to carry securities at cost on the balance sheet. Among the companies listed in our table, American Brake Shoe carries its

marketable securities (including treasury stock) at market prices; American Chicle carries these at "Cost, less a reserve"; American Safety Razor at "Lower of cost or market."

Some of the companies in our table state that their marketable securities consist entirely of Government and other public bonds. Among these are American Radiator, American Smelting, American Steel Foundries, and American Woolen. Other companies vouchsafe the information that only part of their marketable securities consists of public bonds. Thus we learn that the following amounts of marketable securities (expressed in thousands of dollars) were other than public bonds:

	1928	1929	1930
American Brake Shoe (at market, including Treasury Stock)	4,211	5,397	4,216
American Locomotive	6,158	5,611	5,915
Atlantic Refining	N. F.	2,422	1,377

The American Metal Co., Ltd., a New York corporation, is commendably frank in valuing its investments at both cost and market in its annual report for 1930. The figures shown in our table represent cost; but, at market prices at the end of 1930, investments showed a paper loss of $7,883,000, while stock purchased at a cost of $459,000 for resale to employees had a market value of only $257,000. Values given in our table for the treasury stock of American Safety Razor are stated to be less than the market value.

Of course there are many other well known companies, not included in our table, which have taken advantage of the low prices last year to acquire substantial amounts of their own stock in the open market, and there is much variety in the use that will be, or has already been, made of this stock. Many companies plan to resell the recently acquired shares to executives and employees. Some of the purchases were to support the price during periods of acute weakness, and will be liquidated in due time by resale in the open market.

Advance Rumely. 6,751 shares of the 7,000 shares of preferred stock shown in our table were acquired in exchange for stock in a subsidiary, and not through open market purchases.

American Stores. Out of a total of 283,000 shares of

(Please turn to page 124)

Random Sample of Security Holdings

Company	Shares Common Outstanding (1,000) End of 1930	($1,000 — End of Year) Marketable Securities 1928	Marketable Securities 1929	Marketable Securities 1930	Investments 1928	Investments 1929	Investments 1930	Treasury Stock 1928	Treasury Stock 1929	Treasury Stock 1930
Advance Rumely	138	7	9	0	......	......	......	25	25	700
Air Reduction	830	......	......	......	3,562	4,128	3,812	......	......	......
Allied Chemical	2,287	82,711	92,501	92,983	7,377	5,469	5,250	......	......	......
Allis Chalmers	1,258	3.080	3,585	3,083	......	......	......	......	......	......
Alpha Portland Cement	711	1,358	1,358	1,861	212	273	290	......	......	......
Amerada	854	......	......	......	575	385	385	0	E-717	y-1,453
a-Amer. Brake Shoe	691	4,774	5,911	4,216	......	......	......	......	......	......
d-Amer. Brown Boveri	387	499	312	670	255	240	276	230	230	230
Amer. Can	2.474	......	......	......	851	4,139	4,406	......	......	......
Amer. Chain	250	144	20	44	NF	40	29	......	......	......
Amer. Chicle	498	732	45	1,006	......	......	......	......	e-277	f-62
Amer. Com. Alcohol	378	93	......	......	14	8	......	......	b-216	......
Amer. Encaustic Tiling	228	187	187	120	......	......	......	......	......	......
Amer. Ice	575	2,099	......	......	......	......	......	g-1,189	h-1,177	i-1,425
Amer. Mach. & Foundry	1,000	2,441	2,489	1,734	......	47	58	E-239	E-237	E-283
Amer. Locomotive	770	27,885	14,738	12,138	2,305	2,267	2,560	......	......	......
Am. Mach. & Metals	195	62	......	......	21	114	172	......	......	......
x-Amer. Metal	868	......	......	......	6,630	17,576	32,581	......	......	E-459
Amer. Rad. & Stand. San.	10,158	2,530	3,384	2,712	491	2,323	2,301	......	......	......
Amer. Rolling Mill	1,709	385	489	389	......	......	......	......	......	......
Amer. Safety Razor	200	968	1,168	1,146	......	......	......	E-351	E-519	E-478
Amer. Smelt. & Ref.	1,830	18,094	18.059	21,127	3,529	4,944	3,805	......	......	......
Amer. Solvents & Chem.	503	......	......	5	......	......	......	......	......	......
Amer. Steel Foundries	993	9.096	6,820	7,033	915	8,369	9,043	......	......	......
Amer. Stores	1,762	5,635	2,680	2,938	4,287	6,163	4,190	m-3.472	n-10,414	o-13,014
Amer. Sugar Ref.	450	......	......	......	......	......	......	......	......	......
Amer. Tel. & Tel.	17,957	126.269	22,087	354,775	189,167	232,929	283,752	......	......	......
Amer. Tobacco	4,687	......	......	......	32,256	47,494	43,872	......	......	......
Amer. W. W. & Elec.	1,751	......	......	......	......	......	......	......	......	......
Amer. Woolen	400	......	......	7,119	2,877	3,596	2,213	......	......	......
Amer. Writing Paper	188	......	......	......	......	418	361	......	......	......
Anaconda Wire & Cable	422	......	......	......	36	30	16	......	......	......
Anchor Cap	227	......	3	2	......	......	......	......	j-58	k-145
Art Metal Const.	321	......	......	......	......	......	......	......	......	l-547
Associated Oil	2,290	......	......	......	3,234	3,784	5,156	......	......	......
Atch., Top. & S. Fe	2,422	......	......	......	3,978	48,891	22,749	......	......	......
Atlantic Coast Lines	813	......	......	......	5,445	7,952	6,353	......	......	......
Atlantic Refining	2,697	820	3,526	2,381	807	1,099	1,629	4,640	1,044	1,068
Atlas Tack	98	16	......	......	......	......	......	......	......	......
Autosales Corp.	172	1	30	......	......	1	1	p-3	p-3	p-3

a—Held about 12,000 Shs. of own Stk. at end of 1929, and 16,000 Shs. at end of 1930; none reported at end of 1928. b—Purchased for Stk. Div. c—11,950 Shs.; value not stated. d—Treasury Stk. all three years consisted of 8,000 Shs. Participating and 20,000 Shs. Founders. e—8,809 Shs. E—Purchased for resale to employees. f—1,629 Shs. g—11,000 Shs. Com.; 6,210 Pfd., and $286,000 Bonds. h—11,000 Shs. Com.; 6,210 Shs. Pfd., and $274,000 Bonds. i—24,600 Shs. Com.; 5,950 Shs. Pfd., and $135,000 Bonds. j—1,600 Shs. for resale to employees. k—3,000 Shs. Treasury Stk. and 300 Shs. for resale to employees. l—20,600 Shs. m—83,000 Shs. n—210,000 Shs. o—283,000 Shs. p—3,000 Shs. x—See text. y—68,400 Shs. NF—Not available.

Seeking Protection Against Brokerage Failures

Should the Term "Commission House" Be Used by Dealers and Underwriters?

Editor, Readers' Forum:

Much has been said in the press of the efforts made by the New York Stock Exchange to protect the interests of the public in every possible way. I believe some officials of the Exchange have made speeches on this subject. No doubt there has been much progress in the direction of reform in recent years but it seems to me that a great deal still remains to be accomplished. I don't pretend that my point of view is entirely unbiased. I was once caught in the failure of a Stock Exchange firm. The question that puzzles me is how a legitimate commission house can fail. And if it does not happen to be a legitimate commission house is it proper that it should be allowed to describe itself by that term? I believe the term should mean what it implies, which is that the customer deals only through the broker as agent and assumes only the risks involved in the use of his own speculative judgment. Is there any protection a customer can seek in assuring himself regarding the character of his firm?

Faithfully yours, R. B. S.

The question here presented has long provoked a great deal of controversial discussion and thought in the financial district and, of course, has been brought into increased prominence by the greater number of brokerage insolvencies during the depression period. It is only fair to point out, however, that the number of Stock Exchange failures during 1930, although well above the average, nevertheless represented a very small percentage, considering the hundreds of member firms. It is also to be said that the ultimate recovery by creditors runs far above that in the average commercial failure. This is not intended, however, as a blanket excuse for a condition in which brokerage failures are possible. Some critics have pointed out that in the London market a distinction is made between commission brokers and dealers, resulting in increased protection for the customer. The advantages and disadvantages of a similar distinction here have often been informally discussed but, as far as is known, have never received official consideration. It is true that the majority of Stock Exchange failures have been due to underwriting operations or to other more or less hazardous undertakings in which the firm's capital is risked. The commission customer of such a house naturally assumes some risk over and above that involved in his own speculation. There have been instances of firms failing through disastrous participation in pool operations, usually in behalf of some large customer or group of customers. In theory, a strict commission firm might do insufficient business to meet overhead costs, thus ultimately impairing its capital. In practice, however, what most often happens is that insolvency results from an unsuccessful effort to provide market support for stocks "sponsored" by the firm. It is quite true that increased customer protection would be provided by a Stock Exchange regulation restricting use of the term "commission house" to firms handling such business exclusively. Such a change would be opposed by many of the strong houses which successfully and honestly conduct both a commission business and underwriting ventures. It would be a regulation, however, which a great many thoughtless customers would ignore. It is quite possible under existing conditions to ask a broker whether he does an exclusively commission business or to obtain disinterested advice from others.

Blaming the Bears

Editor, Readers' Forum:

When a 2-point rally fades out of the picture after temporarily interrupting a protracted decline in the stock market, I often read in the financial columns of the newspapers that the renewed descent was caused by "profit taking." It occurs to me that the number of persons with profits to take in such a situation must be decidedly limited. The financial writers also seem prone to ascribe almost any kind of decline to "bear raiding." It seems obvious to me that, at least during more than a year of depression, the real factors of pressure could hardly have been so simple. Do the financial writers know the real facts or is it human nature always to blame the bear speculator?

Very truly yours,

A. G.

The majority of traders and investors, being owners or potential owners of stocks, habitually view the market from the bullish point of view and to most of them there is something distasteful, if not distressing, in the mere sight of sagging prices. Financial writers perhaps are no exception to this rule and, writing from the public standpoint, no doubt are inclined at times to place exaggerated emphasis upon such purely secondary factors as profit-taking or short selling on a rally. The reader may fairly be asked for reasonable tolerance, however, for in a generalized account of the market's daily movement and in a limited amount of space the financial reporter attempts to give a reasonably accurate interpretation of the confused movements of hundreds of stocks in which the actual character of much of the buying and selling and the motives of buyers and sellers can be subject only to conjecture. Bearish attacks can often be inferred in a wave of timely selling concentrated on prominent stocks. It is seldom possible, however, to know definitely when short selling is a dominant market influence. Students of the market would do well to make a mental reservation not to pay undue heed to the easy and familiar "bear" explanation for every decline. During most of the protracted slump since the crash of 1929 the importance of the bear position unquestionably has been exaggerated. Without making any plea for the bearish cause, although it admittedly serves a useful economic function, it can certainly be said that the willingness, even eagerness, of many small traders to blame their troubles upon bear raids has the unfortunate effect of confusing their outlook, making it difficult for them to recognize in time that a liquidating market, ruled by business depression, moves down essentially of its own weight.

Distributed Ownership

Editor, Readers' Forum:

It seems to me that Wall Street's interest in political action at Washington or Albany, or even in rumored political action, is second only to its interest in the

current business records—at least when the issue in controversy has some economic bearing. The stock market looks askance at any hint of governmental interference with business. Some politicians continue to spout about the necessity of protecting the public from the large interests. I am under the impression that there has been a tremendous increase in the number of security owners in this country in recent years. Does not this vast group constitute a "public" whose desires politically should command much more respectful attention? The increased distribution of the ownership of our corporations seems to me to have strangely little political influence. Are any organized steps being taken in such a direction?

Yours truly,
G. G. S.

Some of the larger corporations have doubled and tripled the number of their shareholders during the period of depression and there has been a substantial, although more moderate, increase in the number of stockholders of many of the smaller companies whose securities are listed on the leading exchanges. No entirely accurate statistics are available as to the real number of shareholders in this country. It has been estimated, with reasonable probability of the figure being somewhat near the mark, that the total has increased from approximately 2,000,000 before the war to fully 17,000,000. There are duplications in this estimate, of course, many persons owning stocks of several or more companies. On the other hand the interest of each stockholder can be figured as the interest of a family group, which means an immense aggregate of individuals more or less directly concerned with the relations between politics and industry. It represents a potent, but largely unorganized, body of voters. There is, however, a national organization of owners of railway and public utility securities.

What Is Arbitrage?

Editor, Readers' Forum:

As a beginner in the problems of investment and speculation I am often confused by the technical terms employed in Wall Street. In this connection I greatly appreciate the helpful service extended by you through the Readers' Forum. Recently I came across the word "arbitrage." I gather that it has something to do with stock trading but beyond this the word means nothing to me. Will you be good enough to explain its meaning?

Sincerely yours,
I. K.

Arbitrage is a special and highly complicated form of speculation in which the operator attempts to profit from the varying fluctuations of a given security in different markets. It might be called a speculation in space or distance rather than in time, having no relation to the ordinary speculative venture in which one buys in expectation of a later rise or sells in expectation of a subsequent decline. A successful arbitrage trade depends upon speed, usually a matter of minutes or seconds, in communication between different markets. Arbitrage between New York and the chief European markets, notably London, has long been of substantial proportions but is less active now than before the war. To cite a simple example, suppose United States Steel is selling in this market at 140 and at 141 in London. The arbitrage trader, working with an associate in London, buys here and sells in London in as nearly simultaneous an operation as is possible. Such speculation involves a technique and difficulties far beyond the scope of the amateur investor or even the bulk of professional speculators.

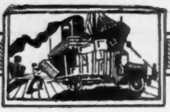
Calls and Puts

Editor, Readers' Forum:

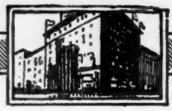
Although I am a newcomer to the Wall Street game, I am sure I must have read, at one time or another, at least three or four explanations of the words "call" and "put." For some reason or other, unlike most other technical financial terms, the definition in this matter never seems to stick with me very long. I never remember which is which. Please be good enough to explain it in a way that will stick.

Faithfully yours,
E. K. L.

"Calls" and "puts" are optional contracts, sometimes used as a direct speculation and sometimes as a means of protecting other commitments. This form of trading is not permitted on the floor of the New York Stock Exchange and is thus left in the hands of outside dealers. Perhaps the simplest way of remembering the opposite character of the terms is to bear in mind that the buyer of a "call" anticipates possible advance in the price of a stock, while the buyer of a "put" expects the stock concerned to go down. As defined by The Investor's Dictionary, published by THE MAGAZINE OF WALL STREET, a "call" is "a written agreement under which the issuer binds himself to deliver to the holder, within a certain time and at a stipulated price, stock named in the agreement." The buyer of a put, on the other hand, is entitled to deliver to the seller a specified stock at a specified time and price. The buyer of a 30-day "call" on 100 shares of United States Steel believes the stock will advance. suppose the stock's present price to be 120, the price in the call to be 124 and the cost of the call on 100 shares to be $500. If the stock advances to 129½ the speculator will have a half-point profit on his "call," the cost having been the equivalent of 5 points. This method serves to limit speculative losses.



TRADE TENDENCIES



Little Real Improvement As Yet Indicated

Copper

Unsatisfactory Conditions Continue

Copper is now dearly paying for its folly of two years or so ago when prices were forced to absurdly high levels. Mines, which but for the stimulation of the high price would never have commenced operations did so, and once having borne the expense of the actual opening-up have continued to produce long after such a course was profitable in the hope of improvement. By inducing the marginal producer to commence operations, coupled with a slowing-up of the tremendous electrical and other expansion of 1928 and 1929, a state of affairs has arisen where the world is flooded with copper and almost no one in the industry can make a fair living. The metal recently sold at 9 cents a

(*Please turn to page* 114)

COMMODITIES*

(See footnote for Grades and Units of Measure)

	1931 High	1931 Low	Last*
Steel (1)	$0.02⅜	$0.02¼	$0.02¼
Steel (2)	0.01¾	0.01⅝	0.01¾
Pig Iron (3)	17.00	16.50	17.00
Copper (4)	0.10½	0.09¼	0.09¼
Lead (5)	0.05½	0.04	0.04
Petroleum (6) ..	0.81	0.51	0.51
Coal (7)	1.60	1.40	1.50
Cotton (8)	0.11⅛	0.09¼	0.09⅝
Wheat (9)	0.75½	0.68½	0.75½
Corn (10)	0.68½	0.52	0.55¼
Hogs (11)	21.50	13.00	20.75
Steers (12)	17.00	12.00	15.00
Coffee (13)	0.09¾	0.08¼	0.08¼
Rubber (14) ...	0.08⅝	0.05⅞	0.06⅛
Wool (15)	0.72	0.64	0.65
Sugar (16)	0.03½	0.03¼	0.03¼
Paper (17)	62.00	62.00	62.00
Lumber (18) ...	15.74	14.54	15.50

* May 4, 1931.

(1) Sheets, Pittsburgh, cents per lb. (2) Bars, Pittsburgh, cents per lb. (3) Basic Valley, $ per ton. (4) Electrolytic, cents per lb. (5) Pig (N. Y.) c. per lb. (6) Kan., Okla., 32-32.9 deg. $ per bbl. (7) Pitts., steam mine run, $ per ton. (8) Middling (Galv.) cents per lb. (9) No. 2, Hard, Winter (Kan. City) $ per bu. (10) No. 3, Yellow (Chic.), $ per bu. (11) Fresh loins, 10-12 lb. (N. Y.) $ per 100 lb. (12) 550-700 lb. (N. Y.) $ per 100 lb. (13) Santos, No. 4 (N. Y.) cents per lb. (14) Smoked Sheets (N. Y.), cents per lb. (15) Fine staple, clean (Boston), cents per lb. (16) Cuban raw 96 deg. deliv. (N. Y.), cents per lb. (17) News Rolls (N. Y.), $ per ton. (18) Yellow pine boards, f. o. b. per M.

THE TREND IN MAJOR INDUSTRIES

STEEL—Steel ingot production for the country at large continues to decline and it is now estimated to be at the rate of barely 47% of theoretical capacity compared with slightly over 48% last week. While this is undoubtedly a poor showing, the full gravity of the situation is not perhaps realized until comparison is made with past years. At this time last year, steel operations were at the rate of more than 75% of theoretical capacity while at this time two years ago they registered almost full capacity. Prices still continue somewhat precarious, with scrap quotations showing further losses.

RAILROADS—There has been much discussion recently among railway executives as to how the industry can best increase its revenues. The only two plans as yet advanced which promise substantial success from the railroads' point of view call for either an increase in freight rates or a lowering of the wage scale, or possibly a combination of the two. Serious objections, however, can be seen to lie in both methods and a solution fair to public, labor and stockholder will not be easy to find.

LEATHER—Since last December when shoe production totaled about 17,500,000 pairs, the poorest month in many years, output has steadily increased until it is now estimated that the industry is operating at the rate of about 24,000,000 pairs a month. This compares with a monthly average over the last eight years of about 27,700,000 pairs so that, while improvement has undoubtedly been registered, considerable gains must yet be made before even an average year will be shown by the industry.

MACHINE TOOLS—The machine tool industry continues depressed with operations during last month on a slightly lower plane than was the case in March. If this industry be used as a barometer of general business conditions it must be admitted that the needle is still a long way from indicating fair and warmer weather.

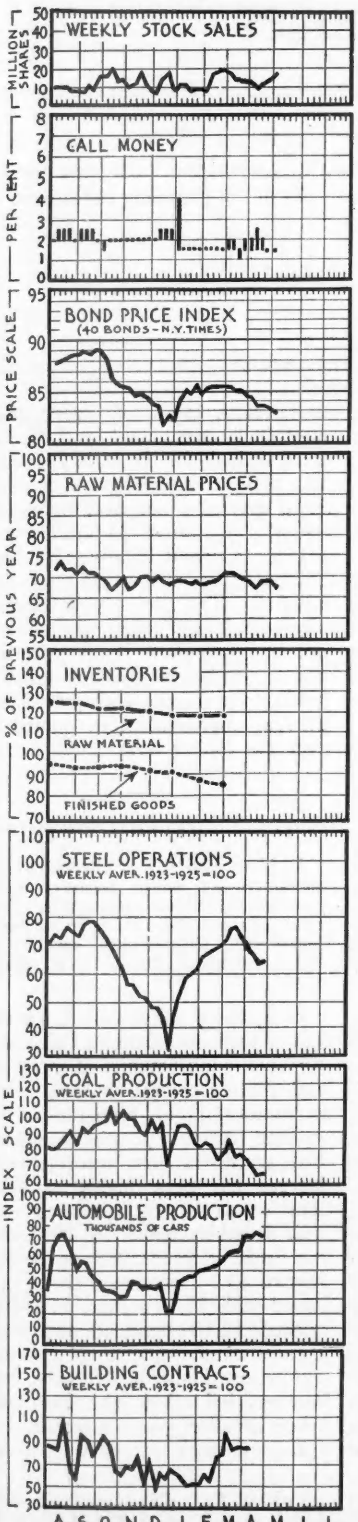
AUTOMOBILES—The National Automobile Chamber of Commerce, which represents all important manufacturers in the industry, with the exception of Ford, estimates its member output for April at about 231,000 units, an increase of about 20% over the production during March, albeit a decrease of 12% from April, 1930. For the first four months of the present year output by members of this organization are estimated to total 701,200 units which compares with 906,600 for the first four months of 1930.

RADIO—The recent Supreme Court ruling to the effect that the Radio Corp. of America had been engaged in the monopolistic manufacture and sale of radio equipment has resulted in some rather unexpected complications. The Federal Radio Commission is debating whether or not, in view of this ruling, the company's broadcasting and experimental licenses should be revoked.

PETROLEUM—The American Petroleum Institute reports that stocks of gasoline in the United States declined 838,000 barrels for the week ending May 2, the largest weekly reduction made so far this year. Average daily crude oil production, however, registered a gain of about 50,800 barrels during the same period, due principally to output from the East Texas field, about which renewed anxiety is being felt in trade circles.

The Magazine of Wall Street's Indicators

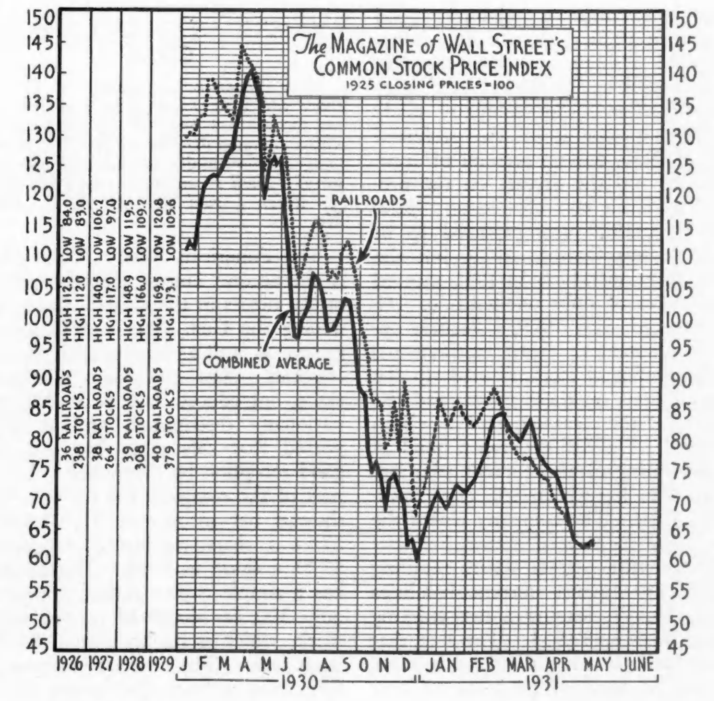
Business Indexes



Common Stock Price Index

Number of Issues in Group	Group	1931 Indexes High	1931 Indexes Low	Recent Indexes May 2	Recent Indexes May 9	1930 Indexes Close	1930 Indexes High	1930 Indexes Low
405	COMBINED AVERAGE	84.4	62.1	62.1	63.5	62.2	140.7	59.9
5	Agricultural Implements	142.4	80.4	80.4*	80.8	112.0	405.5	105.7
8	Amusement	121.2	79.3	79.3*	80.7	88.5	272.0	85.6
22	Automobile Accessories	76.9	47.8	53.7	55.6	47.8	118.1	46.2
20	Automobiles	37.0	25.5	27.8	27.1	25.5	78.4	24.5
4	Aviation (1927 Cl.—100)	74.2	39.9	54.9	60.6	39.9	153.1	35.4
3	Baking (1926 Cl.—100)	212.8	185.4	185.4	193.5	185.5	248.1	179.6
2	Biscuit	38.4	23.0	23.0*	23.7	23.8	74.2	23.8
5	Business Machines	162.2	116.7	116.7*	120.5	128.6	262.7	123.5
2	Cans	188.5	157.0	165.0	165.5	157.0	226.0	151.8
8	Chemicals & Dyes	157.8	104.8	104.8*	110.1	126.0	248.5	124.8
3	Coal	71.8	35.4	49.4	51.8	35.4	107.9	34.4
22	Construction & Bldg. Mat.....	73.7	45.6	45.6*	47.2	48.3	121.8	46.2
12	Copper	92.4	62.2	62.2*	63.0	70.4	211.7	67.0
2	Dairy Products	98.0	83.0	85.2	86.8	83.0	125.1	80.7
9	Department Stores	30.2	21.5	23.9	24.5	21.5	51.6	20.4
8	Drugs & Toilet Articles......	120.4	83.0	94.5	99.6	83.0	142.0	79.4
8	Electric Apparatus	149.3	105.4	105.4*	106.3	115.8	239.1	114.9
4	Fertilizers	21.5	12.5	12.6	12.5*	14.8	54.4	13.7
2	Finance Companies	91.3	66.4	66.4*	70.7	77.6	148.4	68.5
7	Food Brands	80.1	64.4	70.7	73.0	64.4	93.5	62.1
4	Food Stores	83.0	50.3	71.9	74.6	50.3	124.6	50.0
4	Furniture & Floor Covering...	51.7	31.6	36.8	37.2	31.6	119.2	30.1
7	Household Equipment	45.5	29.9	38.0	38.3	29.9	92.5	28.6
10	Investment Trusts	89.5	61.0	62.3	62.7	61.0	184.9	58.9
3	Mail Order	96.3	52.3	69.0	70.7	52.3	170.0	51.5
39	Petroleum & Natural Gas.....	69.2	43.6	44.3	43.6*	52.4	142.5	50.9
8	Phono. & Radio (1927—100)..	68.8	37.2	41.9	42.6	37.2	175.2	36.8
20	Public Utilities	196.8	150.4	153.8	159.7	150.4	305.0	141.1
10	Railroad Equipment	73.1	49.2	49.2*	50.5	57.8	115.4	55.5
33	Railroads	88.4	62.1	62.1*	62.6	69.8	144.5	67.1
3	Restaurants	100.7	77.2	77.2*	81.8	81.9	153.1	78.9
5	Shipping	38.0	22.6	22.6*	23.8	28.9	88.8	28.9
2	Soft Drinks (1926—100)	180.0	152.4	168.5	179.1	160.4	246.5	150.8
13	Steel & Iron	92.3	62.1	62.1	63.6	63.5	146.5	61.4
6	Sugar	18.9	12.5	12.5	12.9	12.9	45.1	12.2
2	Sulphur	218.0	154.9	154.9*	160.0	170.3	268.7	163.0
3	Telephone & Telegraph	132.4	97.4	105.3	105.6	97.4	177.2	92.6
6	Textiles	46.0	23.7	31.6	33.7	23.7	70.5	21.1
7	Tire & Rubber	15.8	10.8	11.1	10.8	10.9	39.0	10.9
9	Tobacco	78.6	59.3	72.8	73.7	59.3	107.3	57.5
5	Traction	86.1	66.8	66.8	68.8	67.2	103.5	63.2
2	Variety Stores	79.3	68.5	71.8	79.3h	68.5	88.7	66.5

* New LOW record since 1928. h—New high record this year.



(An unweighted Index of weekly closing prices; compensated for stock dividends, rights, and split-ups; and covering about 90% of the total transactions in all Common Stocks listed on the New York Stock Exchange.)

Answers to Inquiries

Our Personal Service Department is prepared to offer advice on any security in which you may be interested or on the standing and reliability of your broker. This service in conjunction with your subscription should represent thousands of dollars in value to you. It is subject only to the following conditions:

1. Be brief.
2. Confine your requests to *three securities only*.
3. Write name and address plainly.

Special rates upon request to those requiring additional service.

WORTHINGTON PUMP & MACHINERY CORP.

It is my intention to buy 100 shares of Worthington Pump common under 65 as a speculative holding. What is your attitude toward such a commitment? Have dividend accumulations on the preferred issues been cleared up yet so that the possibility of payments on the common stock is greatly improved?—W. S. P., Cohoes, N. Y.

The principal products of the Worthington Pump & Machinery Corp. are heavy machinery, Diesel engines, gas and oil engines, hydraulic turbines, pumps, air compressors and condensors. Operating economies enabled the company to make a relatively good showing in 1930, a year of depression, and $8.23 a share was earned on the common stock as against $11.96 a share a year earlier. The company made two years payments on the preferred stock in 1930, one on account of accumulation, and the arrears on the preferred stock are now cleared up. Sales volume in 1930 was reported to be only 9% less than in 1929, but the profits from operations in 1930 showed a reduction of only one-tenth of 1% as compared with 1929, reflecting operating economies. April 1st payments on the preferred stock cleared up the accumulations on these issues, and the position of the common stock has been improved. Unfilled orders on hand at the beginning of the current year are reported to have been 9% over January 1, 1930. The company closed the year 1930 in a very strong financial position, with current assets totalling $16,246,050 against current liabilities of $1,358,117, leaving a net working capital of $14,887,933. The fact that the stock is not on a dividend basis at the present time precludes consideration of the issue as a conservative type of security, and it is important to note that because of the small amount of stock outstanding, the stock is subject to wide market fluctuations. Commitments should only be made with due regard to hazards involved in a speculative, non-dividend paying issue, and should only be made for the long term. While the way has been paved for dividends on the common stock there is no indication at this time as to when payments will be inaugurated.

AMERICAN SAFETY RAZOR CORP.

After reporting earnings of $7.51 a share for 1930, I am greatly surprised to see the market price of American Safety Razor common drop below 50. Is there anything fundamentally wrong with the company? Shall I continue to hold 125 shares for which I paid 63?—M. F. E., Joplin, Mo.

The American Safety Razor Corp. is the second largest manufacturer of safety razors in the United States, producing the Gem, Star and Ever-ready razors, as well as blades, and other accessories. The new Gem micromatic razor, introduced last year, has been nationally distributed, and it is reported that this razor has met with good reception by the public. The report of the company for the year 1930 showed net income of $1,502,948 or $7.51 a share, against $1,543,226 or $7.71 a share in 1928. The company has a simple capitalization, comprising only 200,000 shares of no par capital stock, which is on an annual $5 dividend basis. The rate was increased to $5 annually from the former $4 rate in January, 1930. A strong financial position is maintained, and the longer term outlook for the issue is favorable. The balance sheet issued at the close of 1930 showed a net working capital of $3,667,151 against $3,601,737 a year earlier. Current liabilities totalled but $520,666, against current assets of $4,187,817. The company is fundamentally sound, and while the shares are not likely to show sharp price appreciation, we believe they are suitable for holding for income with possibilities of gradual improvement in quoted value over the longer term.

COLGATE-PALMOLIVE-PEET CO.

Yielding over 6% at current levels and manufacturing many products that are considered absolute necessities, Colgate-Palmolive common appeals to me for semi-investment. Would you counsel buying 200 shares under 45?—C. T. P., Brockton, Mass.

Colgate-Palmolive-Peet Co. is the result of the consolidation of a number of very old manufacturers of soaps, dental and shaving creams, washing powders, perfumes and toilet preparations. Units making up the present company all had successful past records, and the merger has been highly satisfactory. The report of the company for the year ended December 31, 1930, showed net profit of $8,550,055, or the equivalent of $3.76 a common share, as compared with $4.03 a share in 1929, and annual $2.50 dividend requirements. Results in the first three quarters of 1930 were highly satisfactory, but operations fell off in the final quarter, when retailers were purchasing only sufficient stock to meet current de-

When Quick Service Is Required Send Us Prepaid a Telegram and Instruct Us to Reply Collect

mand. This "hand-to-mouth buying policy" reduced dealers' inventories, and it is reported that net income for the first two months of the current year compared favorably with that for the similar period of 1930. The balance sheet of the company for 1930 disclosed an improved financial position, and the net working capital amounted to $29,948,467 as against $27,308,781 a year earlier. The ratio of current assets to current liabilities was 6.04 to 1 at the close of 1930, as against 5.06 to 1 a year earlier. The company operates in a relatively stable industry, and we believe that a commitment of 200 shares under 45 should prove a profitable transaction in time.

HUDSON & MANHATTAN RAILROAD CO.

What is your opinion of the outlook for Hudson & Manhattan common especially in view of the rather steady decrease in earnings during the past year or more? Is the $3.50 dividend in danger? What action would you recommend in connection with 250 shares bought at 51?—K. L. D., Tampa, Fla.

Hudson & Manhattan Railroad Co. operates a double tube tunnel known as the "Hudson Tubes," reaching from the Hudson Terminal in downtown New York, under the Hudson River to the Pennsylvania and Erie stations in Jersey City, N. J. A second tunnel is operated by the company connecting the Erie and Lackawanna stations in New Jersey with the Pennsylvania Railroad terminal in the mid-town area of New York City. Hudson & Manhattan also owns the Hudson Terminal in the lower metropolitan area, comprising two large office buildings, rentals from which have had a stabilizing tendency upon earnings of the company. Although earnings of the general run of companies during 1930 registered sharp declines from the preceding year, profits of Hudson & Manhattan declined only slightly. Net income for the 12 months ended December 31, 1930, amounted to $2,138,679, equivalent to $4.69 a common share, after preferred dividend requirements, as compared with $2,247,210 or $4.96 a share on the same basis in 1929. Financial position at the close of last year showed some improvement over that registered at the end of 1929, net working capital amounting to $3,653,157, against $3,217,386 a year earlier. Operations thus far during the current year have been less profitable than the corresponding months of last year, net amounting to $1.02 for the initial quarter of the year against $1.27 a share for the first three months of 1930. Although earnings are likely to remain somewhat retarded during the greater part of 1931, the present dividend rate of $3.50 a share annually appears reasonably secure, and we suggest further retention of present holdings.

AMERICAN ICE CO.

With the season of peak consumption at hand, do you think that the present would be a good time to average on 150 shares of American Ice common which cost me 40? Around 25 this stock looks very attractive to me. How do you regard the $3 dividend?—D. A. R., Pueblo, Colo.

The American Ice Co. ranks as one of the leading manufacturers and distributors of ice in this country, concentrating its efforts in the North-Atlantic States. The management of the company has been ever alert to changing conditions, and in March, 1930, inaugurated the distribution of fuel oil, which department, from recent bulletins of the company, is already showing a profit. Reflecting non-recurring expenses in the establishment of this division, coupled with lower sales volume of coal during the winter months, net income of American Ice Co. for last year was slightly lower than those of the preceding year, per share profits amounting to $4.16 on 575,400 common shares in 1930 against $4.33 on 589,000 shares in 1929. Although the financial position of the company at the close of last year was rather weak, it is likely that this unfavorable factor will be remedied during the current year. Assuming favorable weather conditions, profits of the company for 1931 should register a slight increase over those reported for last year. While we see no reason for hastening commitments in its shares at the present time, present holdings should be retained with a view toward longer term developments.

ALLIS-CHALMERS MANUFACTURING CO.

I understand that the incoming new business of Allis-Chalmers has been increasing substantially in recent months and, besides, it will gain many benefits through the proposed acquisition of Advance-Rumely. Do you recommend averaging on 100 shares of Allis-Chalmers which cost me 49? Is the $2 dividend reasonably secure?—K. S. W., Fort Dodge, Iowa.

Operations of Allis-Chalmers Manufacturing Co. are widely diversified, products including electrical machinery, generators, transformers, hydraulic and steam turbines, mining and cement machinery, pumps, farm and industrial tractors. Earnings were sharply curtailed last year, and $2.86 was reported on the common stock as against $3.78 in 1929. Operations continued at a low level in the first quarter of the current year, when 38 cents a share was earned, as compared with 93 cents in the initial three months of 1930. The dividend recently was reduced from $3 annual basis to $2, and although the quarterly rate of 50 cents was not covered in the first three months of the current year, it is reported that business has shown some improvement in recent months. Allis-Chalmers Manufacturing Co. is about to take over Advance-Rumely Corp., and this acquisition will give Allis-Chalmers a complete line of farm implements. However, this acquisition cannot be expected to augment earnings in the current year, as the past earnings record of Advance-Rumely has not been favorable, but it is an important factor in the future of Allis-Chalmers. Because of its widely diversified operations, Allis-Chalmers Manufacturing Co. undoubtedly will be among the first to benefit from an improved business tone, and the shares do appear to be well deflated. There is some uncertainty over the dividend, since it is not being currently earned, but additional commitments might be made during periods of market weakness provided you are willing to treat as a speculation and hold for a period of years, ignoring any day to day market fluctuations.

CONSOLIDATED GAS CO. OF NEW YORK

How do you rate Consolidated Gas of New York common at this time? Based on present yardsticks I get the impression that this stock may be greatly overvalued in selling at approximately eighteen times its 1930 earnings with a yield of slightly over 4%. Shall I continue to hold 100 shares which cost me 108?—D. R. F., Pasadena, Calif.

Consolidated Gas Co. of New York occupies an outstanding position as a public utility holding and operating company, serving a territory with almost unlimited possibilities for expansion of operations. Either directly or through its subsidiaries, Consolidated Gas supplies all the gas and electric service in the boroughs of Manhattan and the Bronx, all the electricity in Brooklyn, and all the electricity and part of the gas in Queens, the foregoing boroughs constituting the metropolitan area of the city of Greater New York. In addition, practically the entire county of Westchester, a rapidly growing suburban territory to the north of the city, is served by the company with electricity and gas. Earnings record of the company reveals annual increases in net income since 1920. Despite the business adversities prevailing last year, Consolidated Gas reported substantial gains in both gross and net income for 1930 over those of the preceding year. Per share results

for the 12 months ended December 31, last, amounted to $5.06 against $4.81 on a slightly smaller capitalization in 1929. The increase in earnings was attributed to the electric department, since volume of gas sales showed a slight decline during the year. Another contributing factor to the favorable earnings report was the inclusion of sale of steam for heating and other purposes in the borough of Manhattan. In view of the company's envious dividend record, capable management, and favorable long term prospects, we believe the shares are deserving of investment merit. Moreover, since valuable rights are likely to be issued in the early future, we do not regard the issue as particularly overvalued at prevailing quotations. We suggest maintenance of your present long position, and recommend gradual accumulation during reactionary periods.

LAMBERT CO.

Lambert common has been recommended to me by a conservative house as an issue that should be a potential leader in the next general market advance. This conclusion is based on the way earnings are holding up. What is your advice in the matter?—M. D. K., Elgin, Ill.

Lambert Co. functions as a holding company, controlling through approximately 100% stock ownership, Lambert Pharmacal Co., Lambert & Feasley, Inc., and Pro-phy-lac-tic Co., the last named company being acquired during the early part of 1930. Through its subsidiaries, the company is engaged in the manufacture and distribution of "Listerine," an antiseptic; tooth-paste, shaving creams, tooth brushes and shaving brushes. Reflecting capable management and intensive advertising campaigns carried on in recent years, earnings of the company have shown a gratifying tendency toward expansion. Continuing the favorable showing registered by the company in 1930, profits during the initial quarter of 1931 exceeded those registered during the first three months of 1930 by a fair margin. Net income for the March quarter of the current year amounted to $2,110,307, or $2.81 a common share, against $2,068,267 or $2.76 a share a year earlier. In view of increased competition, it is a matter of conjecture whether the company can maintain the favorable earnings showing reported in the first quarter, throughout the balance of 1931. However, since present quotations for the common shares give cognizance to these factors, the issue appears suitable for further retention where more than ordinary risks are not objectionable. While we do not anticipate substantial price appreciation for the shares during the early future, moderate commitments might be justified on an income basis.

HOMESTAKE MINING CO.

Will you please let me have a detailed analysis of the nearby prospects for Homestake Mining common? Shall I accept a profit of over $1,000 which I have on 200 shares bought in January?—F. O. B., Evansville, Ind.

As the result of sharply lower production costs, earnings of gold mining companies have shown a sharp upward trend in the past 15 months, and until commodity prices and wage scales show an upturn, the high earning power of gold producers will continue. The Homestake Mining Co., operating gold mines in South Dakota, reported net income for 1930 of $1,492,871, or $5.94 a share as against $1,044,070 or $4.16 a share in 1929. During a period of prolonged business recession, gold mining is more profitable, as the price of the metal is stable and the demand steady. The company closed the year 1930 in its usual strong financial position, as current assets totalled $7,155,615 against current liabilities of only $533,801. The excellent showing in 1930 was made in the face of a fire which destroyed some of the buildings of the company, temporarily interrupting operations. The company has no funded debt, the sole capitalization consisting of 251,160 shares of common stock. Dividends have been paid in every year since 1903, with the exception of 1920 and the present annual rate is $6, payable monthly. Additional payments of $1 each have been made twice a year from 1925 to 1930, inclusive, and one extra payment of $1 a share has been made this year. However, the company does not cover total dividends from earnings, but makes partial payments from reserves. While this practice cannot continue indefinitely the outlook for gold mining is still highly favorable and further advances are possible. You might well protect your substantial profit with a stop.

BEST & CO., INC.

Would you approve averaging on 100 shares of Best common under 40 to bring down my original purchase price of 50? I understand that sales for the first three months of this season are running ahead of the same period last year and earnings should continue to increase.—E. S. J., Niagara Falls, N. Y.

Although Best & Co. in its present form was only organized in 1924, the present company is the outgrowth of a partnership dating from 1879. The company enjoys an envious position in the retail merchandise field of New York City, specializing in men's, women's and children's apparel of the highest grade. The company's main store is located in the heart of the New York shopping district on Fifth Avenue, while branch units are operated in Palm Beach, Florida; Southhampton and Garden City, Long Island, and Mamaroneck, Westchester County, New York. During the period from 1923 to and including the fiscal year ended January 31, 1930, annual increases in net sales and income were reported. In spite of the unfavorable conditions prevailing for merchandise companies during the last fiscal year, earnings of Best & Co. registered but a slight decline. Net earnings for the 12 months ended January 31, 1931, amounted to $1,265,438, equivalent, after preferred dividend requirements, to $4.15 a share of common stock, against $1,279,261 or $4.20 a share in the preceding year. Financial position at the close of last year was satisfactory and in view of the highly capable management of the company and favorable prospects over the medium and longer terms, we regard its shares as attractive for holding over a reasonable period of time. Additional commitments for the purpose of averaging present holdings are justified during reactionary periods.

Trade Tendencies

(*Continued from page* 110)

pound for domestic delivery, a new low price since 1894, and although the export price at the time of writing is still 9.80 cents a pound c.i.f. principal European ports it is doubtful whether this will hold in the face of the acute weakness in the domestic market. Perhaps the remedy for the chronic state of overproduction in copper as well as almost all other raw materials, lies not so much in curtailing production in order to achieve an artificially high price, but for the low-cost producers like Kennecott which revealed the other day that its costs before depreciation were less than 7½ cents a pound, to mercilessly cut prices thereby achieving the very necessary decrease in production by putting the marginal producer out of business. The latter are undoubtedly scheduled for bankruptcy anyway and this method would only accelerate the process, while the scheme has the added advantage of assuring someone a satisfactory living ultimately.

Securities Analyzed, Rated and Mentioned in This Issue

Canadian Pacific Railway Company

DIVIDEND NOTICE

At a meeting of the Board of Directors held today a dividend of One and one-quarter per cent. on the Ordinary Capital Stock for the quarter ended March 31, 1931, was declared from railway revenues and special income, payable June 30, 1931, to Shareholders of record at three P. M. on June 1, 1931.

By order of the Board,
ERNEST ALEXANDER, Secretary.
Montreal, May 6, 1931.

New York Stock Exchange

RAILS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	5/6/31	Share
Atchison	298⅝	195⅛	242½	168	203⅜	164⅛	170	10
Do Pfd.	104⅞	99	108¾	100	108¼	102½	107⅛	5
Atlantic Coast Line	209⅛	161	175½	95¼	120	86	†83½	10
B								
Baltimore & Ohio	145⅛	105	122⅝	55⅜	87⅞	58⅛	63	5
Bangor & Aroostook	90⅜	55	84½	50⅛	66¾	54	†51½	3½
Brooklyn-Manhattan Transit	81⅞	40	78⅜	55⅛	69⅝	53⅞	56¾	4
Do Pfd.	92⅝	76½	98¾	83	94¼	85⅜	90	6
C								
Canadian Pacific	265⅞	185	52¼	35¼	45⅜	30⅝	31¼	1¼
Chesapeake & Ohio	279¾	160	51⅜	32⅝	46½	38¼	40	2½
C. M. & St. Paul & Pacific	44⅞	16	26⅜	4¼	8⅞	4⅜	5	..
Do Pfd.	68⅝	28½	46¼	7⅜	15⅜	7⅞	8¼	..
Chicago & Northwestern	108½	75	89⅞	28½	45½	29	33½	4
Chicago, Rock Is. & Pacific	143⅛	101	125⅛	45⅛	65½	45⅛	48	5
D								
Delaware & Hudson	226	141½	181	130⅝	157⅞	131	132	9
Delaware, Lack. & Western	169¾	120¼	153	69½	102	64⅞	65	4
E								
Erie R. R.	93½	41⅛	63¾	22⅛	39⅝	23¾	24½	..
Do 1st Pfd.	66¼	55½	67⅜	27	45⅛	30	†31	4
Do 2nd Pfd.	63⅞	52	62½	26	40⅝	29	†27	4
G								
Great Northern Pfd	128¼	85¼	102	51	69⅝	55⅝	56⅜	5
H								
Hudson & Manhattan	58⅝	34⅛	53⅜	34⅞	44½	37	†37½	3½
I								
Illinois Central	153½	116	136⅜	65¾	89	53⅞	58¾	4
Interborough Rapid Transit	58⅝	15	39½	20⅝	34	19⅞	†22	..
K								
Kansas City Southern	108⅞	60	85⅝	34	45	30¼	†32	5
Do Pfd.	70½	63	70	53	64	50	†48	4
L								
Lehigh Valley	102¼	65	84⅞	40	61	48	†48	2½
Louisville & Nashville	154¾	110	138½	84	111	76½	†77	7
M								
Mo., Kansas & Texas	65¾	27⅛	66⅝	14⅞	26¾	14⅝	15⅛	..
Do Pfd.	107⅛	93⅞	108⅜	60	85	52½	56	7
Missouri Pacific	101⅜	46	98½	20⅝	42¾	21⅛	23	..
Do Pfd.	149	105	145½	79	107	70	70½	5
N								
New York Central	256⅛	160	192¾	105⅛	132¼	94⅛	97¾	6
N. Y., Chic. & St. Louis	192⅝	110	144	73	88	54	58	6
N. Y., N. H. & Hartford	132½	80⅞	128⅛	67⅝	94⅞	71	73⅝	6
Norfolk & Western	290	191	265	181½	217	175⅛	†180	12
Northern Pacific	118⅞	75⅛	97	42⅝	60⅞	43	43	5
P								
Pennsylvania	110	72½	86⅝	53	64	50⅝	52⅜	4
Pere Marquette	260	140	164½	76⅛	85	52⅛	†25	6
Pittsburgh & W. Va.	148¾	90	121¾	48½	86	51	55	6
R								
Reading	147⅜	101½	141½	73	97½	60⅝	†63	4
Do 1st Pfd.	50	41½	50½	44⅛	46	45	†45	2
S								
St. Louis-San Fran.	133¾	101	118⅞	39¾	62¾	18	18	..
St. Louis-Southwestern	115¾	50	76¾	18	33½	16	†17	..
Seaboard Air Lines	21¾	9⅛	12½	½	1⅜	⅛	⅝	..
Do Pfd.	41⅜	16¼	28	⅛	2⅛	1	†1	..
Southern Pacific	157½	105	127	88	109½	82¼	86	6
Southern Railway	162½	109	136¾	46½	65⅞	35⅞	40	8
Do Pfd.	100	93	101	76	83	55	†65	5
U								
Union Pacific	297⅝	200	242¾	166½	205½	160⅝	171½	10
Do Pfd.	85½	80	88⅝	82⅛	86¾	83⅝	†85½	4
W								
Wabash	81¾	40	67⅞	11⅛	26	11	12	..
Do Pfd. A	104⅞	82	89¼	39	51	25	†24	..
Western Maryland	54	10	36	10	19⅝	10⅝	12	..
Do 2nd Pfd.	58⅛	14⅝	38	11¼	20	11⅛	11⅝	..
Western Pacific	41⅞	15	30½	7½	14⅞	7½	7½	..
Do Pfd.	67¾	37½	53½	23	31⅝	16¼	16¼	..

INDUSTRIALS AND MISCELLANEOUS

	1929		1930		1931		Last Sale	Div'd $ Per
A	High	Low	High	Low	High	Low	5/6/31	Share
Adams Express	34	20	37⅞	14¼	23½	15	16	1.60
Air Reductions, Inc.	223⅝	77	156⅝	87½	109⅜	77⅞	83⅛	4½
Allegheny Corp.	56½	17	35¼	5¾	12¾	6⅝	7⅝	..
Allied Chemical & Dye	354¾	197	343	170¼	182⅝	116⅛	125	6
Allis Chalmers Mfg.	75½	35⅛	68	31¼	42⅜	26⅞	27	2
Amer. Brake Shoe & Fdy	62	40½	54⅝	30	38	28⅜	29⅞	2.40
American Can	184½	86	156½	104⅝	129¾	105⅜	107⅜	5
Amer. Car & Fdy	106½	75	82½	24½	38⅜	19⅛	†21	3
Amer. & Foreign Power	199½	50	101⅜	25	51⅜	26⅝	32⅝	..
American Ice	54	29	41⅞	24⅛	31⅝	23⅜	25	3
Amer. International Corp.	96¾	29⅛	55⅝	16	26	12⅝	15	..
Amer. Mchy. & Fdry	279⅝	142	45	29¾	43⅜	31	35½	1.40
Amer. Power & Light	175¾	64¼	119⅝	36½	64⅞	39½	43⅞	1
Amer. Radiator & S. S.	55¾	28	39⅜	15	21½	13⅛	13⅝	.60
Amer. Rolling Mill	144⅝	60	100⅞	28	37⅝	24½	24⅝	..
Amer. Smelting & Refining	130¼	62	79½	37½	58½	35⅜	37	4
Amer. Steel Foundries	79⅞	35¾	52¼	23½	31¼	17⅜	18⅛	3
American Stores	514	120	55½	36½	48¼	37	†41¼	2½
Amer. Sugar Refining	94⅜	56	69⅞	39¼	60	42⅜	†48	5
Amer. Tel. & Tel.	310½	193¼	274¼	170⅝	201⅜	176⅛	181¼	9
Amer. Tobacco Com.	232½	160	127	98½	128⅜	104	120	6
Amer. Type Founders	181	115	141¾	95	105	65	65	8
Amer. Water Works & Elec.	199	50	124⅞	47⅞	80⅝	52½	53	3

Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS *(Continued)*

	1929 High	1929 Low	1930 High	1930 Low	1931 High	1931 Low	Last Sale 5/6/31	Div'd $ Per Share
A								
Anaconda Copper Mining	140	67⅛	81½	25	43¼	25⅝	27⅛	1½
Arnold-Constable Corp.	40⅞	6¼	13¾	3½	7½	3⅝	6¼	..
Assoc. Dry Goods	70¾	25	50½	19	29⅝	19¼	22	2½
Atlantic, Gulf & W. I. S.S. Line	86⅞	32⅛	80⅝	33	39	18⅛	†18	..
Atlantic Refining	77⅞	30	51⅞	16⅝	23⅝	12½	14¾	1
Auburn Auto	514	120	263¾	60⅝	295½	101½	221¾	4
B								
Baldwin Loco. Works	66⅝	15	38	19⅜	37⅞	15¾	17⅞	1¾
Barnsdall Corp. Cl. A	49⅛	20	34	8⅝	14⅛	7⅛	8⅛	1
Beech Nut Packing	101	45	70⅛	46¾	63	50	†52	3
Bendix Aviation	104¾	25	57⅞	14⅛	25⅛	15⅝	18¾	1
Best & Co.	60⅞	25	56¼	30⅜	46⅛	32¼	38¼	2
Bethlehem Steel Corp.	140¾	78¼	110¼	47⅜	70⅝	39¼	43⅞	4
Bohn Aluminum	136¾	37	69	15¾	40⅛	20¾	34⅛	1½
Borden Company	100⅛	53	90⅜	60⅛	76⅛	64⅝	66⅛	3
Borg-Warner	86⅞	26	50⅛	15	30¾	17⅝	20⅛	1
Briggs Mfg.	63⅛	8½	25⅜	12⅛	23⅜	13⅝	15⅛	1¾
Burroughs Adding Mach.	96⅞	29	51⅞	18⅜	32¼	21⅛	23	1½
Byers & Co. (A. M.)	192⅞	50	112⅜	33⅛	69¾	33⅛	37⅛	..
C								
California Packing	84⅞	63½	77½	41¼	53	20⅛	26¼	2
Calumet & Arizona Mining	136¾	73½	89⅞	28⅝	43⅜	38	33	..
Calumet & Hecla	61⅞	25	33⅜	7¾	11⅝	7¼	7⅛	..
Canada Dry Ginger Ale	98¾	45	75⅝	30½	48	29⅞	41¾	3
Case, J. I.	467	130	362¾	83¼	131½	74	82¼	6
Caterpillar Tractor	61	50¼	79¾	22	52½	25½	28	3
Cerro de Pasco Copper	120	52¼	65⅝	21	30⅛	15⅛	†16½	1½
Chesapeake Corp.	92	42⅛	82½	32¼	54½	40	†42¼	3
Childs Co.	75⅞	44¼	67⅝	22⅞	33¾	18⅛	20⅜	2.40
Chrysler Corp.	135	26	43	14⅛	25¾	15⅞	19⅜	1
Coca-Cola Co.	154½	101	191⅜	133¼	170	142⅛	147¼	7¼
Colgate-Palmolive-Peet	90	40	64⅞	44	50⅛	41½	44	2½
Colorado Fuel & Iron	78½	27⅜	77	18¾	32¼	15¼	16	..
Columbian Carbon	344	105	199	65⅛	111⅝	65¼	70½	5
Colum. Gas & Elec.	140	52	87	30⅝	45⅝	30½	32⅛	2
Commercial Credit	62⅝	18	40¾	15½	23¼	15	16⅝	2
Commercial Solvent	63	20⅛	38	14	21½	12¼	13⅛	1
Commonwealth Southern	24¾	10	20½	7½	12	8	8⅛	.40
Consolidated Gas of N. Y.	183¼	80⅛	136⅞	78¼	109⅝	82½	94⅞	4
Continental Baking Cl. A	90	25¼	52½	16⅜	30	10	11¾	..
Continental Can, Inc.	92	40½	71⅝	43½	62¾	47	53	2½
Continental Oil	47⅛	48	30½	7¾	12	6⅛	7¼	..
Corn Products Refining	126⅜	70	111⅝	65	86⅝	62½	66	3½
Crucible Steel of Amer.	121¾	71	93⅝	50⅛	63	43⅜	45	..
Cudahy Packing	67⅞	36	48	38⅛	48⅞	41	41½	4
Curtis Publishing	132	100	126⅛	85	100	76	80	4
Curtiss Wright, Common	30¼	6⅜	14⅞	1¾	5⅞	2⅝	3⅝	..
Curtiss Wright, A	37⅞	13¼	19⅜	8	8½	3⅞	4⅛	..
D								
Davison Chemical	69⅛	21¼	43⅝	10	23	11½	11⅛	..
Drug, Inc.	126⅛	69	87⅝	57⅝	78¾	61½	73¼	4
Du Pont de Nemours	231	80	145¼	80¼	107	77⅝	83⅝	4
E								
Eastman Kodak Co.	264¾	150	255¼	142⅛	185¾	143⅝	156¼	8
Eaton Axle & Spring	76¾	18	37¼	11⅝	21⅞	12½	13	1.60
Electric Auto Lite	174	50	114⅞	33	74⅜	45⅝	50⅜	6
Elec. Power & Light	86⅝	29⅛	108½	34⅜	60¾	38¼	44⅞	1
Elec. Storage Battery	104½	55	79¼	47⅛	66	50¼	57⅛	5
Endicott-Johnson Corp.	83⅜	49¼	59⅝	36⅞	41	30	†31½	5
F								
Firestone Tire & Rubber	37	24½	33⅛	15⅛	19¾	13	16¼	1
First National Stores	90	44½	61⅞	38⅝	55	41	51⅛	2½
Foster Wheeler	95	33	104½	37½	64½	35¼	38¾	2
Fox Film Cl. A	105⅝	19⅛	57⅜	16⅛	38⅜	16¼	18¼	4
Freeport Texas Co.	54⅞	23¾	55½	24⅛	43¼	27⅝	29	3
G								
General Amer. Tank Car	123½	75	111⅞	53⅛	73⅛	56½	60½	4
General Asphalt	94¾	42¼	71⅛	22⅜	47	20⅞	22⅞	3
General Electric	403	168⅛	95⅜	41⅛	54¾	40⅜	44¼	1.60
General Foods	81¾	35	61¼	44⅜	56	47¾	51	3
General Mills	89⅛	50	59⅛	40⅛	50	41	41	3
General Motors Corp.	91¾	33½	54¼	31⅛	48	35¼	42	3
General Railway Signal	126½	70	106⅞	56	84⅛	49¾	55	5
Gillette Safety Razor	143	80	106⅛	18	34⅞	21⅛	32⅞	..
Gold Dust Corp.	82	31⅛	47⅞	29	42⅛	31¼	35¼	2½
Goodrich Co. (B. F.)	105¾	38¼	58½	15¼	20⅞	9	11½	..
Goodyear Tire & Rubber	154½	60	96⅞	35⅛	52¾	32⅛	40½	3
Granby Consol. Min., Smelt. & Pr.	102⅞	46¼	59⅞	12	22⅝	13¼	13⅜	2
Grand Union	32⅞	9⅛	20⅝	10	18⅞	10⅝	14¾	..
Great Western Sugar	44	28	34½	7	11⅞	7¾	8⅞	..
Gulf States Steel	79	42	80	15	37½	14	†15	..
H								
Hershey Chocolate	143⅞	45	109	70	103⅜	87	95	5
Houston Oil of Texas	109	26	116⅞	29¼	68½	35¼	40⅜	..
Hudson Motor Car	92½	38	62⅞	18	26	15⅛	†16⅛	1
Hupp Motor Car	82	18	26⅝	7½	13⅛	7	8½	..
I								
Inland Steel	113	71	98	58	71	44¼	†44	2½
Inter. Business Machines	225	109	197⅛	131	179¾	145½	157	6
Inter. Cement	102¾	48	75⅜	49⅛	62½	34¼	87	4
Inter. Harvester	142	65	115¾	45¼	60⅛	46⅛	49¼	2½
Int. Match Pfd.	102½	47	92	52¼	73¼	55	59⅛	4
Inter. Nickel	72¾	25	44⅝	12¾	20⅛	13⅞	14⅝	.60
Inter. Paper & Power "A"	112	57	31⅛	5⅛	10¼	5⅛	†6¼	..
Inter. Tel. & Tel.	149¼	53	77⅞	17¼	38¾	18¾	28	2
J								
Jewel Tea	84⅛	45	66½	37	57½	39¼	43½	4
Johns-Manville	242¾	90	148⅜	48⅜	80¾	43⅞	48⅛	3
K								
Kennecott Copper	104⅞	49⅝	62¾	20⅛	31½	19⅝	20⅝	2
Kresge Co. (S. S.)	57½	28	36⅜	26½	27⅞	25	26¼	1.60
Kreuger & Toll	46⅝	22⅜	35⅝	20⅝	27¾	20⅝	23⅜	1.60
Kroger Grocery & Baking	122½	38¼	48½	17⅛	34⅞	18	23⅛	1

International Petroleum Company, Limited

Notice of Dividend No. 29

NOTICE is hereby given that a dividend of 25c. United States Currency per share has been declared, and that the same will be payable on or after the 15th day of June, 1931, in respect to the shares specified in any Bearer Share Warrants of the Company of the 1929 issue upon presentation and delivery of coupons No. 29 at the following banks:

The Royal Bank of Canada
King and Church Streets Branch,
Toronto 2, Canada

City Bank Farmers Trust Company
22 William St., New York, N. Y.

The National City Bank of New York,
36, Bishopsgate, London, E.C. 2, England

or

The Offices of the International Petroleum Company Limited,
56 Church Street, Toronto 2, Canada

The payment to Shareholders of record at the close of business on the 30th day of May, 1931, and whose shares are represented by registered Certificates of the 1929 issue, will be made by cheque, mailed from the offices of the Company on the 13th day of June, 1931.

The transfer books will be closed from the 1st day of June to the 15th day of June, 1931, inclusive, and no Bearer Share Warrants will be "split" during that period.

By order of the Board,
J. R. CLARKE, Secretary.

56 Church Street, Toronto 2, Canada.
6th May, 1931.

Imperial Oil, Limited

Dividend

Notice to Shareholders and the Holders of Share Warrants

Notice is hereby given that a dividend of twelve and one half cents (12½c) per share, in Canadian funds, has been declared by the Directors of the Company, and that the same will be payable in respect of shares specified in any share warrant of the Company of the 1929 issue within three days after the Coupon Serial Number TWENTY-NINE (29) of such share warrant has been presented and delivered to ANY BRANCH OF:

The Royal Bank of Canada

such presentation and delivery to be made on or after the 1st day of June, 1931.

Payment to Shareholders of record at the close of business on the 15th day of May, 1931 (and whose shares are represented by share certificates of the 1929 issue), will be made on or after the 1st day of June, 1931.

The books of the Company for the transfer of shares will be closed from the close of business on the 15th day of May, 1931, to the close of business on the 20th day of May, 1931.

BY ORDER OF THE BOARD
F. E. HOLBROOK,
Secretary.

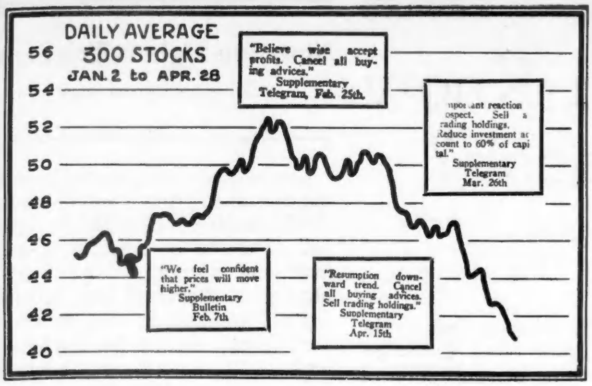
56 Church Street,
Toronto, Ontario.

New York Stock Exchange Price Range of Active Stocks

INDUSTRIALS AND MISCELLANEOUS (*Continued*)

	1929		1930		1931		Last Sale	Div'd $ Per
	High	Low	High	Low	High	Low	5/6/31	Share
L								
Lambert Co.	157¼	80⅛	113	70¾	87⅞	76⅛	79	8
Lehn & Fink	68½	28	36	21	34¾	24	28½	3
Liggett & Myers Tob. B	106	80¼	114⅜	78¼	91¾	78½	80⅛	5
Liquid Carbonic	113⅞	40	81⅞	39	55⅛	26	28¼	3
Loew's, Inc.	84½	32	95¾	41¾	63⅛	41⅛	43⅞	3
Loose-Wiles Biscuit	88⅜	39⅛	70¼	40¼	54⅞	43¾	48½	2.80
Lorillard	31½	14¼	28⅛	8¾	20⅛	11⅜	18¼	..
M								
Mack Truck, Inc.	114¾	55½	88½	33⅝	48⅞	27¼	29	3
Macy (R. H.)	255½	110	159¼	81⅝	106¼	81½	86	3
Magma Copper	82⅛	35	52½	19¼	27⅜	15¼	17¼	2
Marine Midland	..	..	32½	17¾	24⅛	18⅝	20	1.20
Mathieson Alkali	72⅜	29	51⅜	30⅛	31⅛	18⅜	19	2
May Dept. Stores	108½	45½	61⅜	27¾	39	28⅝	33	2½
McKeesport Tin Plate	82	54	89½	61	103⅛	71½	83¾	5
Mont. Ward & Co	156⅞	42⅝	49⅞	15⅛	29¼	15¾	18⅝	..
N								
Nash Motor Co.	118⅞	40	58½	21¼	40⅞	27¼	31	4
National Biscuit	236¾	140	93	68⅝	83¾	67⅛	72½	2.80
National Cash Register A	148¾	59	83½	27⅝	39¾	26	27⅞	..
National Dairy Prod	86½	36	62	35	50¾	38⅛	42⅛	2.60
National Lead	310	129¼	189½	114	132	112¼	†112	5
National Power & Light	71¾	23	58¾	30	44¼	27¾	30¼	1
North American Co	186¾	66½	132⅞	57¼	90¼	62	69¾	§10%
O								
Otis Elevator	55	22¼	80⅜	48¼	58½	37¼	39⅛	2½
Otis Steel	55	22¼	38⅞	9½	16⅜	7⅝	7⅞	..
P								
Pacific Gas & Electric	98¾	42	74⅞	40½	54⅞	45	46½	2
Pacific Lighting	146½	58⅛	107⅞	46	69½	50¼	55½	3
Packard Motor Car	32½	13	23⅜	7¼	11⅞	7¼	7¾	.40
Paramount Publix	75½	35	77¼	34¾	50¼	27⅝	28⅛	4
Penney (J. C.)	105¼	66	80	27⅝	39⅝	28⅛	35½	2.40
Phillips Petroleum	47	24¼	44¾	11½	16⅝	7	7½	..
Prairie Oil & Gas	65⅝	40½	54	11¼	20⅜	9½	10⅛	2
Prairie Pipe Line	65	45	60	16⅝	26⅛	17⅞	20	3
Procter & Gamble	98	43⅛	78⅞	52⅝	71¼	63	67¾	2.40
Public Service of N. J.	137¾	54	123¾	65	96½	72	83⅛	3.40
Pullman, Inc.	89¼	73	89⅜	47	58⅛	36⅝	38¾	4
Pure Oil	30¾	20	27¼	7⅝	11⅞	5½	6	..
Purity Bakeries	148⅝	55	88⅞	36	55¼	29⅜	32⅛	3
R								
Radio Corp. of America	114¾	26	69⅜	11⅜	27½	12	17⅝	..
Radio-Keith-Orpheum	46⅞	12	50	14⅜	24½	15½	17⅜	..
Remington-Rand	57¾	20⅜	46½	14⅛	19¾	7⅝	9	..
Republic Steel	146¼	62¼	79½	10½	25⅜	12	13⅜	..
Reynolds (R. J.) Tob. Cl. B	66	39	58⅝	40	53	40⅜	50¾	3
Royal Dutch	64	43⅛	56½	36⅞	42⅝	27½	30½	1.38
S								
Safeway Stores	195¼	90⅛	122⅜	38¾	65¼	38⅝	50½	5
Sears, Roebuck & Co	181	80	100⅝	43⅛	63¼	44⅞	53	2½
Shell Union Oil	31¾	19	25½	5¼	10¼	4¾	5⅜	..
Simmons Co.	188	59½	94⅞	11	23¾	11⅜	13¼	..
Sinclair Consol. Oil Corp	45	21	32	9¾	15⅞	8½	8⅝	7
Skelly Oil Corp	46½	28	42	10⅛	12⅞	5	†5⅞	..
So. Cal. Edison	93¼	45⅛	72	40⅛	54⅛	42⅝	44½	2
Standard Brands	44¾	20	29¼	14⅛	20⅛	16⅛	17¾	1.20
Standard Gas & Elec. Co	243¾	73½	129¼	53⅛	88⅜	58	71⅛	3½
Standard Oil of Calif	81⅞	51½	75	42¼	51⅜	33	37⅜	2½
Standard Oil of N. J.	83	48	84⅞	43½	52⅛	33½	38	2
Standard Oil of N. Y.	48⅛	31¾	40⅜	19¾	26	17⅝	19½	1.60
Stewart-Warner Speedometer	77	30	47	14¾	21⅞	10⅝	12½	..
Stone & Webster	201½	64	113⅜	37⅛	54⅛	35⅝	38	3
Studebaker Corp.	98	38¼	47¼	18⅛	26	18¾	20½	1.20
T								
Texas Corp.	71⅞	50	60½	28¼	36¼	20	22	3
Texas Gulf Sulphur	85¼	42½	67⅜	40¼	55¾	36⅞	39⅞	4
Tide Water Assoc. Oil	23⅛	10	17¾	5⅞	9	4½	4⅞	.80
Timken Roller Bearing	139⅜	58½	89¼	40⅛	59	43	45½	3
U								
Underwood-Elliott-Fisher	181¾	82	138	49	75¾	48	48½	5
Union Carbide & Carbon	140	59	106⅜	52½	72	47⅜	51⅛	2.60
United Aircraft & Trans	162	31	99	18⅜	38⅞	22½	28½	..
United Corp.	75½	19	52	13⅞	31¼	16⅛	23	.75
United Fruit	158½	99	105	46½	67¾	51¼	57½	4
United Gas Imp	59⅝	22	49⅜	24¼	37½	27⅜	30⅝	1.20
U. S. Industrial Alcohol	243⅝	95	139⅜	50½	77⅜	30½	32	2
U. S. Pipe & Fdy	55⅞	12	38¼	18½	37⅛	22⅛	24½	2
U. S. Realty	119½	50½	75½	25	36¾	18⅛	†18¾	2
U. S. Rubber	65	15	35	11	20⅜	11¾	14½	..
U. S. Smelting, Ref. & Mining	72⅞	29⅞	36½	17½	25⅝	15⅞	18¼	1
U. S. Steel Corp	261¾	150	198¾	134⅜	152⅜	110⅜	112¼	7
V								
Vanadium Corp.	116⅛	37½	143¼	44⅜	76¾	37⅝	42⅞	..
W								
Warner Brothers Pictures	64½	30	80¼	9¾	20⅜	7⅛	8	..
Western Union Tel	272¼	155	210¾	122¼	150¾	112¼	115⅛	8
Westinghouse Air Brake	67¾	26½	52	31¼	36⅛	26	27¼	2
Westinghouse Elec. & Mfg	292⅝	100	201½	88⅛	107¾	57	61⅛	4
White Motor	53¼	27¼	43	21⅝	26¼	16½	16½	1
Woolworth Co. (F. W.)	103⅞	52¼	72⅜	51½	65¾	54⅜	64¾	2.40
Worthington Pump & Mach	137⅜	43	169	47	106⅞	56¼	61⅝	..
Y								
Youngstown Sheet & Tube	143	91	150¼	69⅛	77½	60	†59	4

† Bid price. § Payable in stock.



BUSINESS BAD

. . . *Stock Market Off*

YET, *we are* GOING AHEAD!

The month of March was the best month in our history; cash receipts established a "new high." And, as this is being written, the month of April promises to be equally satisfactory.

As for the much-lamented 1930 . . . it was the most successful year we have had!

What does this mean?

Why should our business have forged ahead during a period which was admittedly one of the most discouraging in American history?

Why was it that we, in the capacity of investment counselors, established new records, while the investment business generally was in the doldrums?

Why was it necessary for us to enlarge our staff and add more floor space when most concerns were cutting down on overhead?

Frankly, we don't know. Except that it might have been because a large number of investors and traders in this country discovered that the advice which we gave was GOOD ADVICE!

That, here was ONE service which they could look to in bad times as well as good for scientific and impartial judgment on the future outlook for stock market prices.

The recommendations of our Staff, headed by Mr. A. W. Wetsel, who is recognized as one of the leading stock market authorities in the country, have not been 100% correct. Nobody can lay claim to that achievement. But the fact that they were correct MOST of the time no one can deny.

Recent changes in our personnel will enable us to pursue our policies even more energetically than before, and perhaps expand them.

The chart above illustrates our record during the most recent decline, which at present writing is still in progress. Our predictions were contrary to the general feeling and were not popular . . . *but they saved our clients thousands of dollars!*

We have grown . . . and we shall continue to grow.

If you have any interest in the stock market, either as investor or trader, and wish to join our circle of clients, we shall be most happy to serve you.

There will be no urging to buy. We will only say what we have said to others:

"Send for three future issues of Market Action, our weekly bulletin of stock trends, free of charge, and JUDGE FOR YOURSELF."

WETSEL

MARKET BUREAU, Inc.

Counselors to Investors

341 Madison Avenue **New York City**

MD-31

Wetsel Market Bureau, Inc.,
341 Madison Ave., New York City.

Without charge or obligation, please send me your bulletin, "Market Action," for the next three weeks.

Name ....

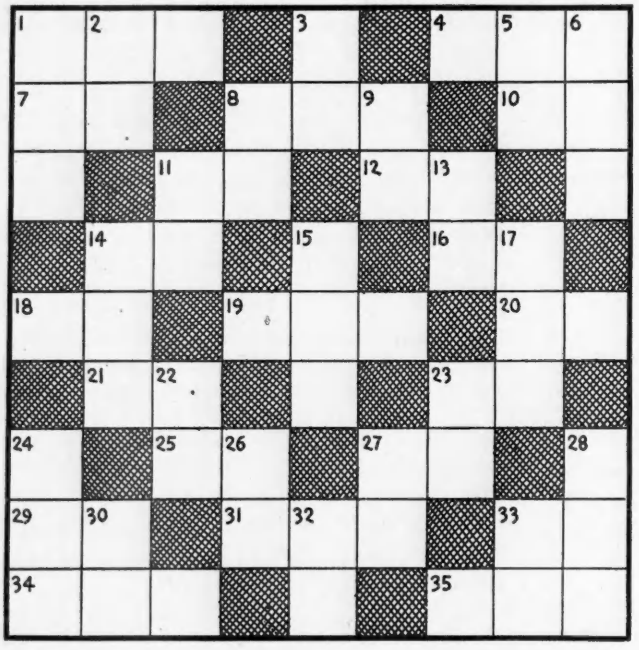
Street ....

City & State ....

How Well Do You Know Your Ticker Symbols?

Solve The Magazine of Wall Street's Cross Word Puzzle and Find Out

The puzzle outlined below is made up entirely of the ticker symbols of the companies given. All stocks are listed on the New York Stock Exchange. Solving this and subsequent puzzles will prove an interesting demonstration of your ability to read the tape and has the practical advantage of widening your knowledge of the most frequently used ticker abbreviations. The correct solution and the next puzzle will appear in the following issue.



ACROSS

1 Universal Pipe & Radiator Co.
4 Universal Leaf Tobacco Co.
7 Savage Arms
8 Allegheny Corp.
10 Continental Baking Co.
11 National Dept. Stores
12 Auto Sales Corp.
14 Wabash Ry.
16 McCall Corp.
18 Union Pacific Ry.
19 United Business Publishers
20 Youngstown Sheet & Tube
21 United Piece Dye Works
23 American Woolen Co.
25 Zenith Radio Co.
27 U. S. Leather Co.
29 Stone & Webster
31 United Aircraft & Transport Co.
33 United States Tobacco Co.
34 U. S. Freight Co.
35 United Stores Co.

DOWN

1 U. S. Express Co.
2 Vanadium Steel Co.
3 American Type Founders
5 Virginia Carolina Chemical Co.
6 Vick Chemical Co.
8 Atlantic Coastline Ry.
9 Yale & Towne Mfg.
11 North American Co.
13 U. S. Distributing Co.
14 Worthington Pump & Mach.
15 United Biscuit Co.
17 Western Dairy Prod.
22 Weston Elec. Ins. Co.
23 Westinghouse Mfg. Co.
24 Superior Steel Co.
26 Eureka Vacuum Cleaner Co.
27 United Fruit Co.
28 Webster Eisenlohr
30 Wells Fargo & Co.
32 American Writing Paper Co.
33 U. S. Industrial Alcohol

Solution to Puzzle in Last Issue

L	A	M	■	J	■	I	L	K
M	S	■	B	C	K	■	G	K
S	■	L	B	■	K	G	■	N
■	J	O	■	K	■	L	M	■
L	■	R	I	■	K	N	■	K
E	L	■	L	G	O	■	L	R
H	L	L	■	T	■	L	Q	T

American Light & Traction Co.

(*Continued from page 95*)

Concerning the company's outlook, the continued growth and development of the territory in which it operates will of course be reflected in steadily increasing revenues although currently because of depressed business and industrial conditions earnings are temporarily off. Results for the first quarter of 1931, for instance, show net income of $2,327,523 after charges, depreciation, federal taxes, etc., equivalent after dividends on the preferred to 76 cents a share on the common, which compares with 93 cents a share in the first quarter of 1930.

The rapid development of the country's natural gas resources and the construction of an extensive net work of high pressure pipe lines covering a large portion of the area of the United States should aid the company in expanding greatly its market for gas in its own territory.

Because the common stock, as previously mentioned, is a minority stock it is not at all unlikely that an attractive offer may some day be made for complete acquisition on the part of the United Light & Power Co., which at present holds the majority of the issue. Regardless of this, however, the American Light & Traction Co. common stock represents a sound holding in a conservatively managed public utility company and may be bought both from the viewpoint of income and for appreciation over the longer period.

Who Runs the Railroads?

(*Continued from page 93*)

of fact, it not technically such a system. Those who direct its affairs have tried twice in 30 years to make it one, but have failed. The latest unification plan is in process of unscrambling right now. Reference is made to Northern Pacific and Great Northern, which jointly own all but a few shares of Burlington stock outstanding.

The men are Charles Donnelly, Ralph Budd, Frederick E. Williamson, presidents, respectively, of the three systems in the order mentioned. Each of them is distinctly of the new type of railway executive. Mr. Donnelly, a successful lawyer, rose through the legal department of Northern Pacific and has been with that system for 28 years. He will be 62 in November, but looks much younger.

Mr. Budd, in his 52nd year, one of

KEEP POSTED

The books, booklets, circulars and special letters listed below have been prepared with the utmost care by business houses advertising in this issue. They will be sent free upon request, direct from the issuing houses. Please ask for them in numerical order. We urge our readers to take full advantage of this service. Address, Keep Posted Department, Magazine of Wall Street, 42 Broadway, New York City.

"ODD LOT TRADING"
John Muir & Co., members New York Stock Exchange, are distributing to investors their booklet "Odd Lot Trading," which explains the many advantages diversification offers to large and small investors. (225).

THE BACHE REVIEW
A summary of the general financial and business situation, published every week by J. S. Bache & Co., 42 Broadway, New York. Sent on application. In writing please mention the Bache Review. (290).

MAKING PROFITS IN SECURITIES
Are you profiting by the major and also the minor swings of the market? If not, you will be interested in the above booklet issued by a leading financial service in New York City. (377).

7% INSTALLMENT SAVING CERTIFICATES
of a Colorado building and loan association operating under strict state supervision—their investment features and why—are explained in an interesting folder. (467).

SECURITY SALESMANSHIP—THE PROFESSION
An interesting discussion of the specialized field together with information about the Course of Training being adopted by scores of the leading investment houses for their salesmen. (470).

MARKET ACTION
is the title of a bulletin issued every week by a large financial service house, which will keep you advised of the opportunities offered with every turn of the market. Next three issues sent without charge. (493).

A COMPLETE FINANCIAL LIBRARY IN 11 VOLUMES
These eleven Standard Books, published by The Magazine of Wall Street, cover every phase of modern security trading and investing. Available at new low prices. Write for descriptive circular. (752.)

AMERICAN COMMONWEALTHS POWER CORP.
has issued its annual report containing a history of the corporation, its earnings, statistical data, and services rendered. A complimentary copy will be sent to you upon request. (761).

WHEN TO BUY AND WHEN TO SELL
The Investment and Business Forecast, a security advisory service, conducted by The Magazine of Wall Street, definitely advises subscribers what securities to buy or sell short and when to close out or cover. (783).

TRADING METHODS
The handbook on Trading Methods, issued by Chisholm & Chapman, contains much helpful information for traders. A copy will be sent to you upon request together with their latest Market letter. (785).

PARTIAL PAYMENT PLAN
An old established New York Stock Exchange house invites the purchase of high grade listed securities on monthly time payments. Descriptive booklet of plan sent on request. (813).

"STOCK AND BOND REGISTER"
A pocket size form for the listing of stocks and bonds will be forwarded upon request without charge. Otis & Co., 216 Superior avenue, N. E., Cleveland, Ohio, or 827.

DO YOU SAVE REGULARLY?
Subscribe to the monthly installment shares of the Serial Building Loan & Savings Institute, a building and loan association operating under strict state supervision. Send today for descriptive literature. (835).

"NATIONAL STOCK ANALYSIS"
will assist you in judging the comparative value of stocks in which you may be interested. This comprehensive booklet contains latest available data regarding listed stocks, classified by industries. (844).

HOW TO RECOGNIZE A GOOD UTILITY BOND
A comparative analysis of Associated bonds and other utility bonds, based on tests such as are used by insurance companies and investment banking houses, has been prepared. Copy upon request. (849).

INVESTMENT PROFIT INSURANCE
The most logical form of investment profit insurance is represented by the personal and continuous counsel rendered by the Investment Management Service. Write for full information. No obligation. (861).

"A 33% BUSINESS INCREASE
In A So-Called Depression Year" is a booklet showing the accomplishment by Credit Service, Inc., of increasing business during the first six months of 1930, as compared with the first six months of 1929. (862).

STOCK EXCHANGE SERVICE FOR SMALL INVESTORS
M. C. Bouvier & Co. have recently issued this interesting booklet covering their methods in executing orders for small investors. A free copy will be forwarded upon request. (865).

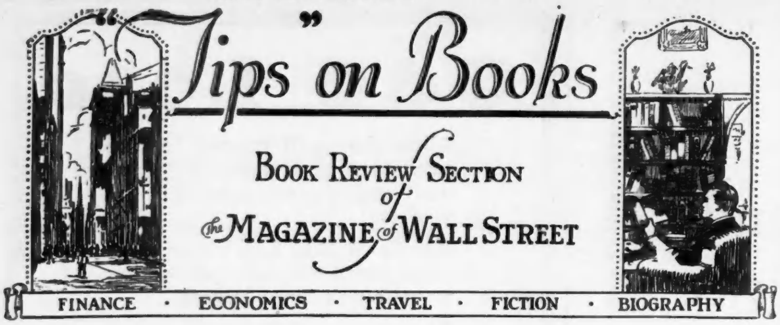
GENERAL FOODS—1930 ANNUAL REPORT
contains information thoughtful investors like to have—an insight into the food industry—America's largest business, as well as specific facts about General Foods Corporation and its 20 nationally advertised products. (874).

"SOME FINANCIAL FACTS"
is the title of a booklet issued by Bell Telephone Securities Company, which will give you some interesting information on this giant public utility. Send for your complimentary copy. (875).

"STOCK GROWTH AND DISCOUNT TABLES"
by S. E. Guild, of Scudder, Stevens & Clark, contains the modern yardstick for common stocks. An essential guide for evaluating equities. A descriptive circular will be forwarded upon request. (878).

"THE NEW ECONOMIC ADJUSTMENT POLICY"
A booklet issued by The Equitable Life Assurance Society explains just how this new policy will benefit you and your family. Features low initial premium with convenient adjustment options after 5 or 10 years. (879).

"YOU CAN HAVE AN INCOME AS LONG AS YOU LIVE"
Wouldn't you like to receive $100 every month from age 65 on as long as you live? The real story of an actual experience appears in this booklet, issued by John Hancock Life Insurance Company. Send for your copy. (880).



BANK ADMINISTRATION

By H. N. Stronck

Rand, McNally & Co.

WITH the growing popularity in recent years of bank stocks as an investment medium, it has become increasingly necessary for the prospective purchaser to have some means of measuring the securities of one company against another. Consider two banks in the same locality, each doing approximately the same volume of business. The net income of one, however, is double that of the other. What is the explanation? Is the one with the larger income functioning at its best, or could it, too, increase its earnings? The answers to these questions are usually to be found in the comparative managerial ability of the two banks.

Management, according to the author, is composed of three factors: sound policies, an effective organization, and a control over the organization. Each is dependent upon the other. An organization working with machine-like precision is of little avail if the policies of the institution are such as to endanger its solvency. Nor can a fine executive show the best results with a wasteful, inefficient organization, until he has first reassembled it to operate smoothly and effectively. From this point, he goes on to discuss in detail how a bank may determine what are sound policies for it to pursue, how it may divide its work and develop its personnel so that the utmost may be gained from its organization, and how an adequate control measuring the adherence to policies and the degree of results produced by other divisions, may at all times be exercised over it.

The book is not concerned with the function of banking in the economic field but rather with the practical operation of institutions conducting a banking business. It may be read to advantage by the practical banker and by the student who is thinking of making banking his career. It is clearly and simply expressed and should be a welcome addition to the growing collection of volumes on the practical aspects of business. M. S. D.

BUSINESS ADRIFT

By Wallace Brett Donham

Whittlesey House, McGraw-Hill Book Co., Inc.

HOW can we as business men, within the areas for which we are responsible, best meet the needs of the American people, most nearly approximate supplying their wants, maintain profits, handle problems of unemployment, face the Russian challenge and at the same time aid Europe and International peace?

That is the problem which Wallace Brett Donham, dean of the Graduate School of Business Administration of Harvard University, sets for himself in his recently published *Business Adrift.* His solution is given in one of the sanest discussions of business offered since the subject became front page material. American business, if it is not to go on aimlessly drifting, must have competent leadership and it must have a plan. That much at least we could profitably learn from the Soviet Government. Dean Donham does not believe that the economic salvation of our nation lies in an aggressive foreign trade policy. To engage in world competition is to invite lower costs and a resultant drop in the standard of living. That we do not want. It would seem more desirable to develop our home market by giving greater security and leisure at home than by depending upon exports. His comments and suggestions on the problem of unemployment are concise and illuminating. For it there is only one solution—work. A foresighted plan would provide it.

It is difficult to refrain from quoting large sections of the book, so refreshing is the point of view in contradistinction to the laments and pessimistic utterances with which we have recently been deluged. It seems almost necessary to include a part of the summary: "We should seek constantly that ever-changing equation between work, security and leisure which gives steady employment and meets not only material but immaterial wants in a world which is always getting better control over nature. This is the one hope for a great salvation." M. S. D.

the youngest of American railroad presidents, is a civil engineer by profession. Before going to Great Northern he served as chief engineer of the Panama Railroad for 3 years, and last summer made an exhaustive examination of the railroads of Russia for the Soviet Government. He is one of the best-known public speakers among railroad presidents of the United States. But his first love is the Great Northern Railway and he never fails to turn a stone in its favor when opportunity offers.

Mr. Williamson, a graduate of Yale, was born in Ohio and will soon be 55, another of the young railroad presidents. After graduation, he started with New York Central and made a rapid rise through the operating and accounting departments to the superintendency. Northern Pacific wanted a vice-president and drafted Mr. Williamson. It was rumored that he was only "loaned" with the understanding that he would come back some day as president. Persistent rumors to that effect were denied officially only recently. When Hale Holden decided to accept the chairmanship of Southern Pacific, Burlington needed a president. Again Mr. Williamson was drafted for that position, after having been with Northern Pacific only 3 years. Actually he served as executive vice-president of Burlington for a short time before being elected president.

Fred W. Sargent

There is another young railway president in the Northwest from whom much has been heard already and who is certain to occupy a still more prominent position in the railway world. Fred W. Sargent, president of Chicago & North Western, born in Iowa, practiced law in Sioux City before joining the legal department of the North Western. Within 3 years he had been elected vice-president and general counsel, and for the past 6 years has served as president.

Within that time he has restored the physical property to a high standard and regained much of the traffic that had been lost to competitors during the administration of several predecessors. Mr. Sargent is a particularly keen thinker, makes a close study of big railroad problems and has delivered many addresses that have attracted wide attention.

These are only a few of the prominent railway executives, the men about whom we hear the most as heads of their respective roads and in connection with the handling of big railroad problems. There are 200 or more railroad presidents in this country, about most of whom comparatively little is heard as national figures. They are well-known in their own fields, in

New York Curb Exchange

IMPORTANT ISSUES

Quotations as of May 7, 1931

Name and Dividend	1931 Price Range High	Low	Recent Price
Aluminum Co. of Amer.	224	140⅛	145
Amer. Commonwealth Pr-A (Stk. 10%)	17	11⅞	14
Amer. Cyanamid "B"	12¾	6⅜	7⅝
Amer. Founders	5⅛	3⅜	3½
Amer. & Foreign Pwr. War.	31½	14¼	18⅛
Amer. Gas Elec. (1)	97½	60¼	65
Am. Lt. & Traction (2½)	54½	39⅛	40⅞
Amer. Superpower (.40)	19⅛	9⅝	12¾
Assoc. Gas Elec. "A" (2)	23¾	17⅛	19⅛
Brazil T. L. & P. (8% stk.)	28⅛	15⅝	16
Central Stat. El. (10% stk.)	12⅛	8¼	9¼
Cities Service (.30)	20¾	13½	15
Cities Service Pfd. (6)	84¾	79	80
Commonwealth & South. War.	2¾	1⅝	1⅝
Com. Water Ser. (.12½)	12⅛	8	10⅞
Cord Corp.	15	5⅞	11⅛
Crocker Wheeler	14⅛	7¾	10⅞
Deere & Co. (1.20)	44¾	22	27
Durant Motors	3¼	1¼	2
Elec. Bond Share (6% stk.)	61	39¾	41¾
Ford Motor, France (.28)	10½	7⅛	8¼
Ford Motors, Ltd. (.36⅝)	19⅞	12⅝	13⅛
Fox Theatre A	6⅛	3	3¼
Gen. G. & E. Conv. Pfd. B (6)	78	50¼	65
Gold Seal El.	1⅝	⅞	1⅛
Gt. A. & P. Tea N-V (6)	260	167½	221
Goldman Sachs T.	11¼	5¼	7
Gulf Oil (1.5)	75½	50⅛	50¼
Hudson Bay M. & S.	6⅜	4¼	4¼
Humble Oil (2½)	72	53	53
Insull. Invest. Inc. (6% stk.)	49¼	29⅛	32⅛
Internat. Pet. (1)	15½	11	11⅞
International Utilities B	10⅞	5¼	7
Lone Star Gas (new) (.88)	25	14¾	14⅞
Mid West Util. (8% stk.)	25¼	17⅛	19⅜
Mo., Kansas Pipe Line	11	5	6
Nevada Cal. Elec. Pfd. (7)	103	101¼	102
New Jersey Zinc (3)	51	35	36⅛
Newmont (4)	58⅞	35	36
Niagara Hudson Power (.40)	15⅛	9¼	10⅝
Niagara Hudson Pwr. A war.	3¼	1¾	2⅛
Do B war.	8⅛	5⅛	5½
Pennroad Corp. (.20)	8½	5¼	5¾
Public Util. Holding Corp. of Amer.	6⅞	4⅜	4½
St. Regis Paper (1)	21⅛	13	14
Salt Creek Producers (1.40)	7¾	5	5
Selected Industries	4⅞	2½	3
Standard Oil of Ind. (2)	38½	24⅝	26⅛
Standard Oil of Ky. (1.60)	23⅜	17⅛	18⅛
Stutz Motor Car	28	18½	24⅛
Transcontinental Air Trans.	8⅜	3⅝	7⅛
Trans Lux	13¼	6⅝	8⅜
United Founders	10¼	6¼	6⅛
United Lt. & Pow. A (1)	34½	20⅛	22¾
United Gas Corp.	11⅞	6⅞	7⅛
U. S. Elec. Pwr. (w. w.)	8⅜	4⅜	5
Utility Pow. & Lt. (1.02½)	14½	6¾	8
Vacuum Oil (2)	69¾	33⅝	33⅝

which they are doing good work.

The railway executives of the United States are high-grade men. They have to be or they could not cope with present-day problems and hold their positions. They deserve the whole-hearted support of their stockholders.

Note—Readers' comments on articles of this type are solicited. In the above discussion only a limited number of individuals have been touched upon. There are many more of equal prominence and interest. They will be made the subject of similar sketches if readers so desire.—Editor.

Flying Speeds the Pace of Transportation

(*Continued from page 85*)

Under such circumstances the alert investor will no doubt question whether he cannot get into this development in its early stages. Is not this a chance to pick the "General Motors" of aviation and profit accordingly as the years go on? The answer is yes, *if* the company can be selected which will be the "General Motors" of aviation. But who can tell? How many were able to confidently pick "General Motors" in the early days of the automobile industry and hold it? Very few. Every young industry must pass through the stage of enthusiastic mushroom growth, only to subsequently meet what might be designated as the consolidation stage in which the number of operating units is reduced by concentration and from this process rise the dominating giants of the future. Aviation is on the threshold of this phase. But, it will be some little time before the results are sufficiently manifest to properly appraise the future from a security standpoint. And until then opportunity will not be sacrificed by waiting.

Meanwhile, however, the growth and development of the aviation industry may be counted upon to exert an increasing influence on American life and an increasing stimulus on the recovering pace of general business.

Corporations As Investors

(*Continued from page 107*)

treasury stock, 127,000 shares were purchased in 1929 at an average price of about 54, and 73,000 shares were bought in 1930 at an average cost of about 36. 161,000 shares have recently been cancelled, leaving 121,000 shares in the treasury to be used for future expansion.

Bethlehem Steel. Bought 240,000 shares of its own stock and used it recently in acquiring the McClintic-Marshall Construction Co.

Container Corp. During 1930, bought 22,873 shares of its Class A stock, at an average price of about \$18.75, and 5,900 shares of the Class B at an average of about \$8.75. This stock will all be retired, and thereby slightly increase the company's capital surplus, since the aggregate book value is somewhat higher than purchase prices.

General Railway Signal. During 1929, bought 4,691 shares of its own preferred stock, at 100, and 20,550 shares of common, at average price of about 80. In 1930, 12,850 more shares of common were purchased around 76.

Lima Locomotive. In 1930, purchased 18,530 shares of its own common, leaving only 74,000 shares outstanding. It is understood that the company still has \$4,500,000 in quick assets which could be used in acquiring additional stock. At the close of 1930, cash and Government securities amounted to \$32.18 a share, and book value of the common was \$63.79. Current market price is around 23, so that the total outstanding capitalization is priced at only \$1,700,000. As there is no funded debt nor preferred stock outstanding, some wag has asked who would own the company if all its common stock should be retired. Such a development is well within the range of possibilities.

Can Business Prosper on Low Commodity Prices?

(*Continued from page 82*)

under the 1923 and 1925 highs and the highest commodity level in 1929 was 2 per cent under the 1928 high. The years 1926 to 1929 afford convincing proof that American business can profit either with stable commodity prices or with gradually declining prices. The year 1926 constituted an exceptionally interesting test, for it was given over to a steady reaction in commodities, the net decline within the year amounting to 6 per cent. Nevertheless, it was a year of generally satisfactory profits.

Even in the present disappointing situation it is possible to find an important silver lining. The world-wide deflation of commodities has not been uniform and the varying degrees of correction may serve to some extent to restore the balanced price relationships so badly needed in international trade. Decline has been relatively moderate, for example, in iron, steel and coal, which are among the major home products of the chief European countries. It has been far more extensive in those

raw materials which Europe buys from the rest of the world for conversion into manufactured goods both for home consumption and for re-exportation. Such materials include cotton, copper, rubber, wheat, wool, tin, zinc and petroleum. Drastic deflation in all of these products must tend ultimately to stimulate demand. In some the workings of this natural process already are visible. Foreign demand for cotton, for example, has proven decidedly responsive to low prices. The average cost of the materials which Europe imports having declined more than the cost of her own raw materials, there has already been a slight improvement in the European trade balance. It is only through expansion of this gain that external debts can be met, the exchange of goods accelerated and the way cleared for a renewal of foreign financing in the American market.

Where a Few Cents Mean Millions

(*Continued from page* 97)

Reynolds would take about $12,000,000 and the per share earnings would jump from $3.42 to $4.60; Liggett would get about $8,000,000 thereby raising per share earnings to just under $10; while Lorillard with its "Old Golds" would collect about $5,000,000 and would probably re-invest it in further advertising the brand so that the increase in per share earnings is questionable.

The prospect contained in higher cigarette prices is undoubtedly an alluring one for the big cigarette companies. In fact, so bright is it that the companies themselves will probably hesitate to fire such excellent ammunition until the condition of the stock market appears such that the favorable reaction will be sufficiently great to satisfy everyone. And besides, as the matter now stands the possibility in itself is enough to exercise a stabilizing influence on their securities.

State Taxes

There remains but one important point in connection with cigarette prices which has not yet been touched upon. It is the question of taxes. The contemplation of the Federal Government's $360,000,000 annual revenue has opened up brilliant vistas for the independent states. There are even now a number which actually tax cigarettes and others are constantly falling into line. Texas has recently passed a bill, which needs but the Governor's signature to become law, calling for a tax of 3 cents per pack

Over-the-Counter

IMPORTANT ISSUES

Quotations as of Recent Date

	Bid	Asked
American Book Co. (7)	83	88
American Cigar Pfd. (6)	70	..
Amer. Dist. Teleg. (4)	82	86
Do Pfd. (7)	110	112
Amer. Manufacturing (4)	24	32
Do Pfd. (5)	50	60
Amer. Meter Co. (3)	38	43
Babcock & Wilcox (7)	99	103
Bliss (E. W.) Co. 1st Pfd. (4)	56	60
Cl. B Pfd. (0.60)	9	..
Bohack (H. C.) Co. 1st Pfd. (7)	103	108
Bon Ami, B (2)	25	35
Colt Mfg.	15½	17½
Carnation Co. (1½)	23	25
Pfd. (7)	102½	..
Clev. El. Illum. Pfd. (6)	111	..
Congoleum Co. Pfd. (7)	99	..
Crowell Publishing (3)	62	66
Do Pfd. (7)	104	109
Detroit & Canada Tunnel	2¾	3⅛
Dixon (Jos.) Crucible (8)	128	138
Dry Ice Holding	31	36
Fajardo Sugar	28	33
Franklin Rwy. Sup. (4)	50	55
Gt. Atl. & Pac. Tea Pfd. (7)	118	121
Gt. North. Paper (3)	27	29
Herring-Hall Safe	35	55
Howe Scale	6	9
Pfd.	25	29
Hudson Riv. Nav.	1	3
Pfd.	30	45

	Bid	Asked
Lanston Mono. (7)	99	102
Merck Co. Pfd. (8)	75	78
Metropolitan Chain Pfd	8½	10
Murphy (G. C.) Pfd. (8)	95	110
National Casket (4)	78	88
Pfd. (7)	108	111
New Eng. Tel. & Tel. (8)	135	137
Newberry (J. J.) Pfd. (7)	90	98
Remington Arms Pfd. (7)	79	85
Roxy Theatre	⅝	1¼
Pfd. A (3.50)	11	13
Safety C. H. & L. (8)	60	70
Savannah Sugar (6)	69	74
Pfd. (7)	85	90
Scovill Mfg. (2)	24	27
Singer Mfg. Co. (12.50)	270	290
Smith, A. O. (2)	132	140
Standard Screw (6)	75	80
United Porto Rican	6	10
Pfd.	12	16
Wash. Ry. & Elec. (7)	465	..
Pfd. (5)	97½	99
Welch Grape Juice (1)	45	50
Do Pfd. (7)	100	..
West Va. Pulp & Paper (2)	30	33
Do Pfd. (6)	100	102
Wheeling Steel	18	22
Do Pfd. (8)	..	100
Do Pfd. B (10)	..	100
White Rock 2nd Pfd. (20)	210	..
1st Pfd. (7)	103	107
Woodward Iron	25	30

of 20 cigarettes, while in California a levy of 1 cent per pack is proposed.

This will mean, in Texas at least, that it will be impossible to buy a pack of cigarettes legally for 15 cents or less and some such level as two packs for 35 cents will undoubtedly prevail. As has been stated before the belief exists that the public will pay anything up to 15 cents per pack without objection but that over this point sales resistance will develop rapidly. It would, therefore, appear necessary that the retailer and manufacturer absorb between them any reasonable amount of a tax in order that the retail price shall not go above 15 cents and cause a drastic contraction in sales volume. Moreover, it is obvious that any unit tax works to the advantage of a higher priced article and to the disadvantage of those in the lower price brackets. Suppose for example that there be two brands of cigarettes one selling for 15 cents a pack and the other for 20 cents a pack. Then if a tax of 5 cents a pack be placed on each of them the prices become 20 cents and 25 cents, respectively, which is a considerably smaller percentage difference and there are many under these conditions who would buy the more expensive one. It may be expected, therefore, that the popular brands as personified by "Luckies," "Camels," "Chesterfields" and "Old Golds" will come more directly into competition with "Marlboros," "Fatimas," "Raleighs" and others as further cigarette taxation is enacted, but with what force and consequence it is impossible to gauge.

Although the foregoing is not entirely complete, investors and prospective investors in the cigarette industry will clearly grasp the tremendous importance of a cent or two one way or the other in the price of a pack of cigarettes, and should wholesale prices be raised, one can rest assured that such action will be duly recognized in the market price of these securities, to the great benefit of the holders.

Important Dividend Announcements

NOTE—To obtain a dividend directly from the company, the stockholder must have his stock transferred to his name before the date of the closing of the company's books.

Annual Rate		Amount Declared		Stock Record	Payable
$3.48	Bang. & Aroost'k R.R.	$0.87	Q	5-29	7-1
3.00	Borden Co.	.75	Q	5-15	6-1
2.00	California Packing Co.	.50	Q	5-29	6-15
7%	Cent'l Ark. P. S. Corp. Pfd.	1¾%	Q	5-15	6-1
2.40	Childs Company	.60	Q	5-22	6-10
9.00	Delaware & Hudson	2.25	Q	5-18	6-20
6.00	Fed'l Lt. & Tr. Pfd.	1.50	Q	5-15	6-1
1.20	Ford Mot. of Canada "A"	.60	SA	5-29	6-20
1.20	Ford Mot. of Canada "B"	.60	SA	5-29	6-20
.30	Gen. Gas & El. "A"	.07½	Q	5-29	7-1
3.00	General Motors Corp.	.75	Q	5-16	6-12
.50	Imperial Oil	.12½	Q	5-15	6-1
1.00	Internat. Petrol., Ltd.	.25	Q	5-30	6-15
2.00	McCrory Stores Corp.	.50	Q	5-20	6-1
2.00	McCrory Stor. Cp. "B"	.50	Q	5-20	6-1
1.89	Metro Goldwyn Pic. Pfd.	47¼	Q	5-29	6-15
1.00	Motor Wheel Corp.	.25	Q	5-20	6-10
10.00	Norfolk & West. R.R.	2.50	Q	5-29	6-19
2.50	Stand. Oil, California	.62½	Q	5-16	6-15
2.00	Standard Oil, Indiana	.50	Q	5-16	6-15
1.00	Standard Oil, N. J.	.25	Q	5-16	6-15
—	Standard Oil, N. J.	.25	Ext	5-16	6-15
1.00	Sun Oil Co.	.25	Q	5-25	6-15
3.00	Timken Roller Bearing.	.75	Q	5-20	6-5
1.60	Union Tank Car Co.	.40	Q	5-16	6-1
2.00	United Biscuit of Amer.	.50	Q	5-16	6-1
6.00	Wrigley (Wm.), Jr.	.50	M	5-20	6-1

Facts, News and Comments

W. N. Reynolds, formerly chairman of the board of directors of R. J. Reynolds Tobacco Co., has been elected chairman of the executive committee. He is succeeded as chairman of the board by Bowman Gray. S. Clay Williams has been elected president, succeeding Mr. Gray.

* * *

According to M. H. Cahill, president of the Missouri-Kansas-Texas Railroad Co., truck competition is being successfully combated in Texas by the Missouri, Kansas & Texas Transportation Co., a subsidiary organized during the year to perform a pick-up and delivery service on l.c.l. freight at the more important stations in the state.

* * *

Hugh W. Long, vice-president and chairman of the executive committee of Distributors Group, Inc., has been elected president of Cumulative Shares Corp. to succeed W. W. Watson, Jr., who recently resigned.

* * *

Edward R. Stettinius, who has been associated with the General Motors Corp. since 1924 and in 1930 was made assistant to the president, has been elected a vice-president of the corporation.

* * *

The Childs Co. has recently attempted an interesting experiment to determine the public's taste in food when there is no price influence present. In one of its restaurants, no prices are printed opposite individual items and the cost is the same whether the choice runs to filet mignon or pork and beans. The price is modest, and the restaurant's patronage is understood to have increased substantially since the inauguration of the plan.

* * *

The suit brought last December against Reed W. McNeel of McNeel's Financial Service by Henry G. Gomperts and James A. Silin, who alleged that they were associated in business with Mr. McNeel and therefore entitled to an accounting of the property and profits has recently been dismissed. The court found that there was no legal partnership between the three men, that Mr. McNeel was the sole owner and that Gomperts and Silin were employed by him on a weekly salary. Judge Whiting ordered costs taxed in favor of Mr. McNeel.

Russia Menaces Both Labor and Capital

(*Continued from page* 80)

tion. On the other hand, unless all Rusian statistics on the subject are to be discredited, it appears that the plan will be accomplished physically with respect to the erection and construction of the instrumentalities of industrial production within four years. In any aspect, it is an amazing achievement, and laden with sinister possibilities for the outside world.

The Five-Year Program in Figures

In its final original form the Five-Year Plan contemplated the expenditure of 86 million roubles (approximately 43 million dollars if the exchange value of the gold rouble is taken as the measure, but of indeterminable dollar conversion on the basis of domestic purchasing power of the paper rouble). But as a part of this sum included current expenditures, the actual capital outlay involved was 64,600 million roubles. This is a fabulous sum for Russia but is actually not much more than the United States spends normally in the same period on building and construction.

Of the total capital investment 13,500 millions of roubles were allocated to central industries and 2,853 millions to local industries. To electrification was allocated 3,059 millions, to transport 10,000 millions, to agriculture 23,152 millions and to miscellaneous utilizations 12,036 millions. It should be remembered that a large part of the investment is for reconstruction and renovation of existing plants, the new ones being expected to account for only 35 per cent of the total expected production resulting from the fulfilled plan. It is an error to assume that the Soviets are starting from scratch in their industrialization enterprise. A portion of the expenditures were to come from the resources of individuals and of the industries. For example, the central government was supposedly required to put up only 6,000 million roubles of the outlay on agriculture, the rest coming from the peasants in their various economic units.

Output More Than Doubled

At the culmination of the plan in 1933, it was contemplated that industrial production, measured in millions of roubles, should increase from 18,000 in 1927-28 to 43,000 and agricultural production from 16,000 to 25,800. By physical quantities the figures for industrial production "before and after" are as follows:

	1927-8	1932-3
Coal, million tons	35.4	75
Oil, million tons	11.7	22
Pig iron, million tons ..	3.3	10
Steel, million tons	3.9	10
Cotton cloth, mill. meters	32.8	620
Woolen cloth, million meters	96	270
Sugar, million tons	2.3	3.25
Electric power, 1,000 million kw.-h.	5.1	22.

According to the official figures the actual industrial output during the first two years of the plan ran well ahead of the forecasts as a whole, but the output of cotton goods remained virtually stationary. In large measure this was due to the overproduction of long staple cotton and the scarcity of short staple, the balance of which is essential to the output of suitable cotton fabric. Nevertheless the production is more than twice that of the pre-war output. The whole industrial output is already somewhat in excess of what it was before the war.

As the Soviet government is without recourse to foreign loans and there is little accumulated capital in Russia, the plan has to be financed largely from its proceeds and current taxation. It was calculated that with imports under rigid control, the enormous home market would consume the increased production from year to year and yield profits for the capitalization of further extensions. The original plan contemplated that profits would yield 19,000 million roubles of the total of 86,000 million. The central government budget was to give 29,600 million, local budgets, 15,100; bank loans, 6,000; in surance funds, 9,200, and miscellaneou sources, 6,500.

A Crisis in View

So far the budgets have been successfully balanced but as the increase of profits, assumed with increasing efficiency of industry, has not materialized as expected it has been necessary to resort to increased bank loans, which in effect mean inflation of the currency. During the Russian fiscal year of 1929-30 the total circulation of bank and treasury notes increased by 1,578 millions, instead of the expected 415 millions, and deposits on current account at the national state bank of the various state industries (the so-called trusts) transport, bank and other commercial and industrial state enterprises increased by about 3,000 millions. The financial forecast was based on the value of the rouble in 1926-27, but owing to inflation of the currency it has considerably decreased. This is officially admitted in a statement that while the national income had increased by 2,500 million roubles at the purchasing power of the rouble in 1926-27 it was 4,500 millions at the rate in 1929. The rate must now be still lower, for the statement is made that currency has been inflated to twelve times its intrinsic value.

While governmental control prevents exchange fluctuations and rapid rises in prices, except in the limited amount of private business still permitted, the decline of the purchasing power of the rouble is reflected in the relative scarcity of ordinary consumer goods and the strict rationing of purchases. The result of all this is that the development of the Five-Year Plan calls for larger expenditures than were anticipated, to say nothing of faster progress requirements.

It is generally considered that this year will witness a crisis on the financial side of the plan. There is talk of drastic restriction of the currency but as the country has already reached the limit of taxation and enforced saving (resulting from rationing) it appears that the development of the plan must be slowed up if inflation is checked. A crisis is also believed to be near in the morale of the workers, owing to the effects of food rationing and the shortage of fats and other necessary foods. Due, probably, to this cause, the efficiency of labor is not increasing with experience as rapidly as was expected.

"Dumping" and Foreign Trade

The Five-Year Plan is intimately related to foreign trade, which is entirely within the control and actual administration of the government. While the importation of consumer goods is held to a painfully low level, the success of the plan is absolutely dependent upon the importation of production equipment, as Russia is at present quite incapable of providing the enormous amount of machinery required by the plan and still does not produce all the materials required for industry even before expansion. The result has been to export for gold where possible, but where such terms could not be arranged actual barter of raw materials for needed industrial equipment and other goods has been made as an expedient. Although, no doubt, the Soviet authorities derive some satisfaction from the political repercussions of their present dumping practices they are largely the result of the dire need of Russia of foreign credits.

In the early stages of the Five-Year Plan it was of course necessary to export vast quantities of Russian products for the gold credits which could be so obtained. As a result of her inability to secure foreign loans on a large enough scale it was essential for Russia to secure funds in this way even though it resulted in depriving her own people of goods which were urgently needed within the country. The effort met with considerable success in its

early stages—then Russia found herself hit externally by the self same economic depression that beset the rest of the world. Markets were glutted with goods everywhere, prices fell and Russia found it necessary to export larger and larger quantities of goods in order to pay for her indispensable purchases. Of course the world markets were demoralized, but more from the exigencies of the Five-Year Plan than from a deliberate attempt to shatter the price structure in foreign markets. In many instances goods were sold below production cost and not infrequently at very heavy losses. A drop in the market while some raw commodities were in transit sometimes enforced their sale to save warehousing costs at a figure which scarcely covered shipping costs.

At the same time the dumping policy is depriving the Russian workers of the necessaries of life. For example, while upwards of one hundred million bushels of wheat are being exported the consumption of bread is strictly controlled at home. Butter, meats, coal, fish, textiles, sugar and cotton are being exported in large quantities while being rationed in the home markets and Soviet newspapers dwell on the necessity of relieving the "famine" in agricultural and industrial products, the prices of which are rapidly rising in the remaining non-official domestic markets.

No Real Surplus for Export

In scarcely anything has Russia a present surplus, if the requirements of reasonable home consumption are taken into consideration. Although Russia has immense forests and a great potential surplus of forest products the home consumption of lumber is ridiculously low, considering the miserable housing of the masses of the people. Nevertheless, the exportation of pulpwood and lumber has been forced to such an extent as to demoralize all European markets, even of those countries which themselves have timber surpluses. Lumber is even being exported to the United States which even normally has an export surplus of several billion feet annually, and American forest products, even at present intolerably low prices, are being driven out of European markets. Notwithstanding the home requirements of increased coal production, Russian anthracite is being exported to Canada and other countries, even some to the United States, which has vastly more coal than Russia, and can mine it much more cheaply. So far the United States has been most disastrously affected by Russian dumping in respect to wheat. There is no doubt that the present low price of wheat in world markets is considerably due to the cut-prices of Russian wheat, which is being taken away from an underfed home population. The menace to American cotton is seen in the fact that Russia, hitherto, an extensive importer, expects to supply itself by 1932.

There is no natural economic control

FINANCIAL NOTICES

Dividends and Interest

Childs

The Nation's Host ~ From Coast to Coast

DIVIDEND NOTICE

The Board of Directors of Childs Company has declared the following cash dividends, payable June 10, 1931, to stockholders of record at the close of business, 3 P. M., May 22, 1931.

On the preferred stock, a quarterly dividend of 1¾%.

On the no par value common stock, a dividend of 60c per share.

The stock transfer books will remain open.

L. E. BUSWELL, *Secretary*
200 Fifth Avenue
New York

Federal Light & Traction Co.

Preferred and Common Stock Dividends

52 William Street, New York, N. Y.,
May 6, 1931.

The Board of Directors has this day declared the Regular Quarterly Dividend of One Dollar and Fifty Cents ($1.50) per Share on the Preferred Stock of Federal Light & Traction Company, payable on June 1, 1931 to the stockholders of record as of the close of business May 15, 1931.

The Board of Directors has also declared the Thirty-Fourth Quarterly Dividend on the Common Stock of the Company at the rate of Thirty-Seven and One-Half Cents (37½c) per Share in Cash and One Per Cent in Common Stock. This dividend is payable on July 1st, 1931, to the common stockholders of record as of the close of business June 13th, 1931.

The Transfer Books will not be closed.

H. G. TOWNSEND,
Assistant Treasurer.

CENTRAL ARKANSAS PUBLIC SERVICE CORPORATION

PREFERRED STOCK DIVIDEND NO. 73

52 William Street, New York,
May 6, 1931.

The Board of Directors has this day declared the Seventy-Third Consecutive Dividend of One and Three-Quarters Per Cent (1¾%) on the Preferred Stock of the Central Arkansas Public Service Corporation, payable on June 1, 1931, to the Stockholders of Record as of the Close of Business May 15, 1931.

The Transfer Books will not be Closed.

H. G. TOWNSEND, Treasurer.

Dividends and Interest

AMERICAN RADIATOR & STANDARD SANITARY CORPORATION

PREFERRED DIVIDEND
COMMON DIVIDEND

A dividend of $1.75 per share on the Preferred Stock, being the ninth quarterly dividend, has been declared payable June 1, 1931, to stockholders of record at close of business May 15, 1931.

A dividend of 15¢ per share on the Common Stock, being the ninth quarterly dividend, has been declared payable June 30, 1931, to stockholders of record at close of business June 11, 1931.

Transfer books will not be closed.

ROLLAND J. HAMILTON
Secretary and Treasurer

AMERICAN WATER WORKS AND ELECTRIC COMPANY

INCORPORATED
(of Delaware)

NOTICE OF DIVIDEND

A regular quarterly dividend of seventy-five cents (75¢) a share, payable in cash, on the common stock of the Company, has been declared payable August 1, 1931, to common stockholders of record at the close of business on July 10, 1931.

W. K. DUNBAR, *Secretary.*

AMERICAN WATER WORKS AND ELECTRIC COMPANY

INCORPORATED
(of Delaware)

NOTICE OF DIVIDEND

A regular quarterly dividend of $1.50 per share on the $6 Series, First Preferred Stock of the Company, for the quarter ending June 30, 1931, has been declared payable July 1, 1931, to stockholders of record at the close of business on June 12, 1931.

W. K. DUNBAR, *Secretary.*

San Francisco, California
May 5th, 1931

At a meeting of the Board of Directors of the Standard Oil Company of California held today dividend number twenty-one of 62½c per share was declared on the outstanding stock of this Corporation payable on June 15th, 1931 to all stockholders of record as shown by the Transfer Books of the Corporation in San Francisco and New York at the close of business on May 16th, 1931.

STANDARD OIL COMPANY OF CALIFORNIA

---

of Russian dumping, because the Russian government being entirely in control of foreign trade, can make prices without regard to home demand and economic prices. It is also in a position to maintain artificial prices at home. It can pay the peasant in paper roubles and sell his wheat abroad for gold. There is no telling how much it can cut export prices and still have a profit in paper roubles.

In good times the Russian exports, which after all are small and not yet up to the pre-war volume, would have little effect on world prices, but being dumped on universally depressed markets at any competitive price that will get the business they exert a disproportionate effect and are undoubtedly a serious factor in emphasizing and continuing the present world depression. But with the Five-Year Plan or any variation of it carried through, Russia will be in a position to dump huge amounts of certain goods in the best of times, thus taking the edge off export prices for a number of American products.

At the same time the success of that plan will tend to deprive American industry of what would normally be a vast market. If Russian industrialization were to proceed normally the present purchases of our machinery would be less but the demand for consumer goods would be much increased for many years. If hothouse Russian industrialization achieves what the Soviet authorities expect of it Russian economic development and maintenance will soon become entirely a domestic affair and virtually all goods will be produced at home. But the effects of Russian industrialization on us will result more from the consequences of its effects on the European industrial nations. Deprived of expansion of their outlets in the vast areas of Russia that are as yet undeveloped, their competition with us in other markets will be more and more intense. The net results will be a further contraction of American foreign outlets, with depressive effects on industry and agriculture in which both labor and capital will share.

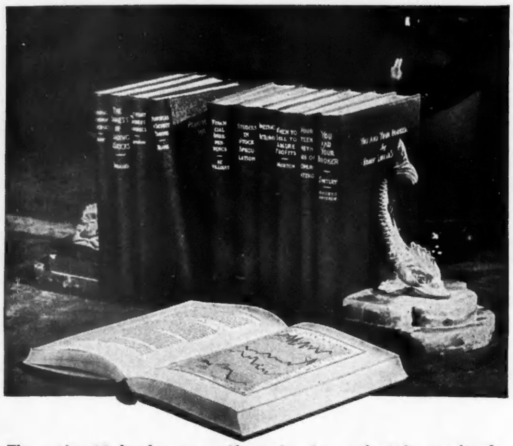
This is the first of a series of articles by Mrs. Wyckoff on the Russian problem and its world-wide repercussion. The second article will appear in the next number and will contain the most recent facts and figures, some as late as April, 1931, on such world commodities as wheat, cotton, lumber, paper and others. Through our special representative we will interpret the findings of the Geneva conference. The ultimate menace of Sovietism to the United States and the world will be fully discussed.

MARKET STATISTICS

	N. Y. Times 40 Bonds	Dow, Jones Avgs. 30 Indus.	Dow, Jones Avgs. 20 Rails	N. Y. Times 50 Stocks High	N. Y. Times 50 Stocks Low	Sales
Monday, April 27	82.78	149.76	85.75	139.92	135.47	3,631,490
Tuesday, April 28	82.60	147.95	85.51	138.65	134.47	2,855,720
Wednesday, April 29	82.53	143.61	85.94	136.60	133.15	3,187,020
Thursday, April 30	82.97	151.19	88.14	141.12	133.21	3,334,642
Friday, May 1	82.95	145.58	86.54	142.16	135.96	2,872,120
Saturday, May 2	82.87	147.49	86.31	137.89	134.34	1,261,832
Monday, May 4	82.94	150.50	87.01	139.95	136.98	1,359,228
Tuesday, May 5	83.19	148.89	86.40	141.17	137.62	1,567,190
Wednesday, May 6	83.29	149.73	86.43	139.20	135.95	1,497,660
Thursday, May 7	83.38	148.88	86.03	140.76	137.24	1,673,600
Friday, May 8	85.57	154.41	86.86	143.05	137.48	2,658,450
Saturday, May 9	83.63	151.81	86.60	143.54	140.04	1,179,850

Specially Reduced Prices on STANDARD BOOKS

Published by The MAGAZINE OF WALL STREET



The entire 11 books are uniform in size and style, profusely illustrated with charts, graphs and tables, replete with practical examples and suggestions. They are all richly bound in dark blue flexible fabrikoid, lettered in gold, and will make a handsome addition to any bookcase or library.

THESE eleven selected volumes completely cover every phase of modern security trading and investing. Written in a concise, easily understandable manner they give you the result of years of research and successful market operation—the foremost tried and proven methods and the important fundamental principles which you can apply to your individual needs and successfully determine *how, what* and *when to buy* and *when to sell.*

Whether you are an odd-lot buyer or deal in hundreds and thousands of shares—whether you are a long-pull investor or a day-to-day operator, you should read these books and have them for constant reference. They may easily make or save thousands of dollars for you—they should surely bring you a return of many times their moderate cost.

The prices quoted below are the lowest at which these books have ever been offered. Orders will be filled as they are received. We suggest, therefore, that you mail your order at once.

Library of Trading and Investment Fundamentals

No. 1. Fourteen Methods of Operating in the Stock Market.
No. 2. You and Your Broker.
No. 3. When to Sell to Assure Profits.
No. 4. Studies in Stock Speculation.

Famous Set by John Durand

No. 5. The New Technique of Uncovering Security Bargains.
No. 6. The Business of Trading in Stocks.
No. 7. How to Secure Continuous Security Profits in Modern Markets.

The Businessman-Investor's Library

No. 8. Financial Independence at Fifty.
No. 9. Necessary Business Economics for Successful Investment.
No. 10. Cardinal Investment Principles upon which Profits Depend.
No. 11. The Investor's Dictionary.

Individual Price of Each Book $2.25
When Sets of 2 or More Books Are Ordered. Each.. $1.50

Special Offer
Complete Library of Entire 11 Books. $15.

CLIP OUT AND MAIL THIS COUPON TODAY

THE MAGAZINE OF WALL STREET,
42 Broadway, New York, N. Y.

May 16, 1931

PLEASE send me your Complete Library of 11 Standard Books on Security Trading and Investing.

☐ $15 Enclosed. ☐ C. O. D. $15.

All orders outside of the Continental U. S. A. must be accompanied by full remittance.

PLEASE send me books as listed above: Nos. 1-2-3-4-5-6-7-8-9-10-11. (Simply check books desired, remitting $2.25 if only one is ordered, or $1.50 each if sets of two or more books are ordered.)

☐ $...... Enclosed. ☐ C. O. D. $......

Name .... City ....

Address .... State ....

☐ **Please mail me without obligation descriptive circular on above books.**

Sunshine Mellows Heat Purifies

LUCKIES are always kind to your throat

Everyone knows that sunshine mellows—that's why the "TOASTING" process includes the use of the Ultra Violet Rays. LUCKY STRIKE—made of the finest tobaccos—the Cream of the Crop—THEN—"IT'S TOASTED"—an extra, secret heating process. Harsh irritants present in all raw tobaccos are expelled by "TOASTING." These irritants are sold to others. They are not present in your LUCKY STRIKE. No wonder LUCKIES are always kind to your throat.

The advice of your physician is: Keep out of doors, in the open air, breathe deeply; take plenty of exercise in the mellow sunshine, and have a periodic check-up on the health of your body.

"It's toasted"

Your Throat Protection—

against irritation—against cough.

TUNE IN—The Lucky Strike Dance Orchestra, every Tuesday, Thursday and Saturday evening over N.B.C. networks

S

ine
G"
tra
of
he
an
rsh
cos
ese
ure
No
to

IN—
Strike
Orches
Tues-
hursday
turday
g over